

**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

AUDIT REPORT  
OF  
INDIANAPOLIS PUBLIC SCHOOLS  
MARION COUNTY, INDIANA  
July 1, 2005 to June 30, 2006



**FILED**  
03/09/2007



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#### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Rodney M. Black	07-01-05 to 06-30-07
Superintendent of Schools	Dr. Eugene G. White	07-01-05 to 06-30-07
President of the School Board	Michael D. Brown Clarke C. Campbell	07-01-05 to 06-30-06 07-01-06 to 06-30-07



# STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
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## INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TO: THE OFFICIALS OF THE INDIANAPOLIS PUBLIC SCHOOLS, MARION COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Indianapolis Public Schools (School Corporation), as of and for the year ended June 30, 2006, which collectively comprise the School Corporation's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School Corporation's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note I, the School Corporation prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, each major fund, and the aggregate remaining fund information of the School Corporation as of June 30, 2006, and the respective cash receipts and cash disbursements during the year then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated February 7, 2007, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Our report on compliance and on internal control over financial reporting should be read along with this report.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the School Corporation taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS  
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
(Continued)

The Management's Discussion and Analysis, Schedule of Funding Progress, and Budgetary Comparison Schedules, as listed in the table of contents, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Corporation's basic financial statements. The Schedule of Capital Assets and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the basic financial statements. The Schedule of Capital Assets and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

February 7, 2007



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF THE INDIANAPOLIS PUBLIC SCHOOLS, MARION COUNTY, INDIANA

We have audited the financial statements of the Indianapolis Public Schools (School Corporation), as of and for the year ended June 30, 2006, and have issued our report thereon dated February 7, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the School Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the School Corporation's management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

February 7, 2007



## **MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

### **Fiscal Year Ended June 30, 2006**

As management of the Indianapolis Public Schools (IPS), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2006. The intent of this management discussion and analysis is to look at the IPS financial performance as a whole; readers should also review the introduction, transmittal letter, financial statements and notes to the financial statements to enhance their understanding of the IPS financial performance.

These financial reports were prepared using GASB 34 as its financial reporting model.



### **FINANCIAL HIGHLIGHTS**

- The total cash balance (cash and investments all funds) of IPS was \$255 million at the close of the fiscal year (\$199 million total governmental funds), a decrease of approximately \$18 million from the June 30, 2005 amount. This decrease was primarily due to the following changes: a reduction of \$10.5 million in the general fund, an increase of \$1.8 million in Transportation, an increase of \$1.8 in Food Service, a decrease of \$9.2 million in Debt Service, an increase of \$7.4 million in Capital Projects, a reduction of \$1.2 million in School Bus Replacement, an addition of \$24.6 for the 2006 Series Bond, a decrease of \$24.8 in the 2004 Series Bond, a decrease in Other funds of \$8.3. Agency Funds had a decrease of \$137,956.
- Total cash receipts of \$549 million for Government Funds (excluding agency funds) decreased by \$46 million in Fiscal Year 2005/06 from \$595 million in Fiscal Year 2004/05. This change is primarily due to a reduction in temporary loans from \$29.8 million to \$3.3 million and a decrease in Construction Bonds from \$52 million to \$26 million.



## **FINANCIAL HIGHLIGHTS** *(concluded)*

- Total cash disbursements (excluding Agency Funds) decreased from \$579 million in Fiscal Year 2004/05 to \$568 million in Fiscal Year 2005/06. This decrease of \$10.8 million was primarily due to: a decrease in expenditures for the General Fund of \$14.5 million, an increase in expenditures for Food Service of \$1.8 million, the Capital Project Fund decrease of \$6.6 million, an increase in Debt Service of \$5.9 million, a decrease in Transportation of \$1.2 million an increase in 2004 Series Bonds of \$12.1 million, in addition to an overall decrease of \$8.3 million in all other fund balances.
- The total Capital Assets changed from \$514 to \$495 million for the fiscal year. This reduction is due primarily to an increase of Construction in Progress of \$30.3 million, and a reduction in Buildings of \$50.1 million. (Historical note: Arlington HS (\$18,170,064) and Broad Ripple HS (\$21,243,033) were transferred to the Multi School Building Corp. in June 2003. In July of 2004, Emmerich Manual HS (\$19,378,453) and Northwest HS (\$16,149,585) building assets were transferred to the Multi School Building Corp. In March of 2006, Washington MS (\$17,133,785), T. C. Howe Academy (\$16,961,047) and Shortridge MS (\$16,055,047) were transferred to the Holding Corp.)
- Among major funds, the General Fund reported \$329 million in fiscal year 2005/2006 cash receipts, which consisted mainly of local taxes, state aid, temporary borrowing and inter fund transfers and \$339 million in cash expenditures.
- The other major funds had the following changes in cash balances for the fiscal year: Capital Projects Funds cash balance increased approximately \$7.5 million, Transportation cash balance increased by \$1.8 million, Bus Replacement cash balance decreased approximately \$1.2 million, Debt Service cash balance decreased by \$ 9.2 million, Food Service increased approximately \$1.8 million, and Fund 073 2004 Series Bond decreased by approximately \$24.8 million (offset by the Fund 074 2006 Series bond of approximately \$24.6 million).
- IPS' total outstanding debt increased approximately \$112.9 million during the current fiscal year. The key factor in this increase was the issuance of \$119 million in 2006 Construction Bonds in March 2006 offset by the reductions due to our repayment schedule for our other obligations.



## OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the IPS' basic financial statements.

### **Basis of Accounting**

IPS follows the prescribed basis of accounting required by the Indiana State Board of Accounts and prepares its financial statements on the prescribed basis of accounting in compliance with the cash basis and budget laws of the State of Indiana.

The accounts of IPS are maintained in accordance with Indiana Code 5-11-1 on a fund basis representing a series of independent calendar and fiscal year accounting funds. Each fund is a separate, self-balancing financial entity. Records for all IPS funds are maintained on a cash basis whereby revenues are recognized when received and expenditures are recognized when paid.

The IPS' basic financial statements comprise six components:

1. *Statement of Cash and Investments* (government-wide statement).
2. *Statement of Cash Activities* (government-wide statement)
3. *Statement of Receipts, Disbursements and Cash and Investments Balances* (governmental funds only)
4. *Statement of Receipts, Disbursements and Changes in Cash and Investments* (Proprietary Funds)
5. *Statement of Receipts, Disbursements and Changes in Cash and Investments* (Fiduciary Funds)
6. Notes to the financial statements.



## **OVERVIEW OF FINANCIAL STATEMENTS** *(concluded)*

### **Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances using accounting methods similar to those used by private-sector companies. Governmental activities are those activities normally associated with the operation of a government that are principally supported by taxes and intergovernmental revenues. There are two government-wide statements, the statement of Cash and Investments and the Statement of Cash Activities.

The Statement of Cash and Investments presents information on all the District's assets and liabilities, with the difference being the net assets. Changes in the net assets may serve as a useful indicator of whether or not the financial position of the District is improving or deteriorating.

The statement of Cash and Activities presents information on how the District's net assets changed during the most recent fiscal year. All current year revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, non-instructional, and interest on long-term liabilities.

### **Fund Financial Statements**

#### **Statement of Receipts, Disbursements, Cash and Investments Balances (governmental funds); Statement of Receipts, Disbursements and Changes in Cash Investments (Proprietary and Fiduciary Funds)**

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. IPS uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

## OVERVIEW OF FINANCIAL STATEMENTS *(concluded)*

These fund financial statements are designed to provide readers with a broad overview of IPS' receipts, disbursements, and cash balances. These fund financial statements outline receipts by source and disbursements by major function.

The *Governmental Funds Statement* is divided into major funds with non-major funds included in "other."

Governmental Funds: Governmental fund types include the general fund, special revenue funds, debt service fund and capital funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's current financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's current financing decisions. The Statement of Receipts, Disbursements, and Cash and Investments Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Proprietary Funds: IPS has one proprietary fund, an internal service fund used for the district's self-insurance activity.

Fiduciary Funds: Included in the fiduciary fund types are the IPS' permanent trust funds, Pension Trust Fund (Severance Bond) and agency funds. Agency funds are reported under the fiduciary funds. Since the resources of these funds are not available to the District's own programs, they are not reflected in the government-wide financial statements.

These fund-specific financial statements provide more detailed information about IPS' funds, focusing on its most significant funds – not the district as a whole.

### **Notes to the Financial Statement**

The notes provide additional information that is essential to a full understanding of the data provided in the *Statement of Receipts, Disbursements, Cash and Investment Balances* and *Statements of Cash and Investments and Cash Activity*.



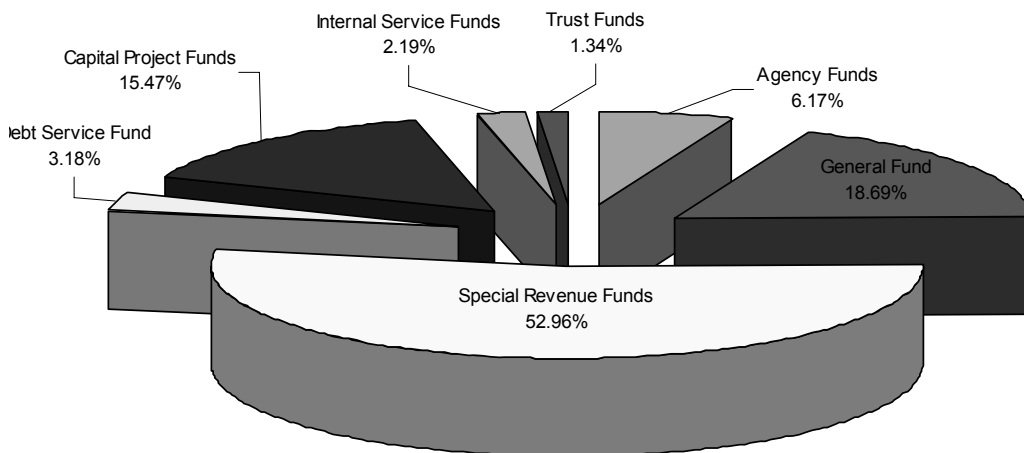
## DISTRICT-WIDE FINANCIAL ANALYSIS

### *Cash Position*

IPS closed the fiscal year with a \$255 million cash balance (\$199 million governmental funds). Of this \$255 million cash balance, \$42.4 million is committed to pay legal purchase obligations entered into by IPS, \$9.5 million is escrowed for summer teacher salaries, and \$35 million is reserved to pay future Retirement Expenses. Additionally, \$13.6 million of the ending cash balance is held in the agency funds made up primarily of employee withholding funds and warehouse funds.

## INDIANAPOLIS PUBLIC SCHOOLS

Cash Balance @ June 30, 2006





## GOVERNMENT-WIDE FINANCIAL ANALYSIS *(continued)*

### *Change in Cash Position and Comparative Analysis*

The cash position for IPS decreased by approximately \$17.3 million during the fiscal year. While disbursements remained relatively constant (down by approximately \$10.8 million), there was a \$45 million decrease in Receipts. The 2004 Construction Bond and Cash disbursements out-paced cash receipts in the General Fund, Debt Service Funds, School Bus Replacement, and 2004 Series Bonds.

IPS' cash receipts for the fiscal year 2005/06 were \$550 million (\$536 million governmental and internal funds). The total cash disbursements were \$568 million (\$554 million governmental and internal funds). The following table presents a summary of the total cash receipts compared to total cash disbursements for the fiscal year ended June 30, 2006.

		<b>Fiscal Year</b>	
		<b>2005 - 2006</b>	<b>2004 - 2005</b>
<b>Cash Receipts</b>			
<u>Program Receipts</u>			
Charges for Services		\$ 2,277,910	\$ 2,644,379
Operating Grants and Contributions		23,308,913	20,741,362
		<u>\$ 25,586,823</u>	<u>23,385,741</u>
<u>General Receipts</u>			
Property Taxes		159,151,066	168,863,779
Other local sources		21,546,694	25,683,201
State aid		226,702,062	213,198,832
Grants and contributions not restricted		67,306,840	65,912,474
Bonds and loans		29,579,098	82,128,873
Sale of property, adjustments, and refunds		458,946	706,987
Investment earnings		6,087,996	3,805,594
		<u>\$510,832,702</u>	<u>\$560,299,740</u>
<b>Total Cash Receipts</b>		<u><u>\$536,419,525</u></u>	<u><u>\$583,685,481</u></u>
<b>Cash Disbursements</b>			
Instruction		177,825,297	179,185,519
Support Services		285,403,928	292,371,862
Community Services		2,417,701	1,879,054
Nonprogrammed charges		28,143,367	32,377,159
Debt Service		59,944,584	60,127,317
<b>Total Cash Disbursements</b>		<u><u>\$553,734,877</u></u>	<u><u>\$565,940,911</u></u>
<b>Cash Disbursements less than Cash Receipts</b>		<b>\$(17,315,352)</b>	<b>\$ 17,744,570</b>



## GOVERNMENT-WIDE FINANCIAL ANALYSIS *(continued)*

### *Statement of Net Assets and Comparative Analysis*

By far the largest portion of IPS' assets (65.2%) reflects its investment in capital assets (e.g. land, buildings and improvements, vehicles, furniture and equipment, and construction in progress). The district uses these capital assets to provide services to its students; consequently, these assets are not available for future spending.

IPS' financial position relative to net assets is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, and the acquisition and disposal of capital assets.

The following table presents a summary of IPS' net assets for the fiscal year ended June 30, 2006, with comparative year ended June 30, 2005:

<b>Statement of Net Assets (all funds)</b>		
	<b>Fiscal Year</b>	
	<b>2005-2006</b>	<b>2004-2005</b>
Current Assets	\$ 204,084,532	\$ 221,399,884
Capital Assets (gross)	<u>495,059,683</u>	<u>514,478,375</u>
<b>Total Assets</b>	\$ 699,144,215	\$ 735,878,259
Current Liabilities	\$ 51,912,288	\$ 68,310,836
Short Term Debt	3,285,791	29,845,318
Long Term Debt	<u>428,644,603</u>	<u>315,463,491</u>
<b>Total Liabilities</b>	\$ 483,842,682	\$ 413,619,645
<b>Total Net Assets</b>	<u><u>\$ 215,301,533</u></u>	<u><u>\$ 322,258,614</u></u>





## **GOVERNMENT-WIDE FINANCIAL ANALYSIS** *(continued)*

### ***Budget Process***

All budgetary information is prepared on a cash basis. Receipts are presented by source, and disbursements are presented by program (functional purpose) and by major expenditure class (object). The budget is initially prepared and approved by the Board of School Commissioners and then is subsequently approved by the Department of Local Government Finance (DGLF). Budget modifications, if required, are made at various review levels based on the laws of the State of Indiana.

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund and other Special Revenue Funds is provided in this report as required supplementary information.

See: Budget to Actual Reports.



## **FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

As noted earlier, IPS uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

### **Governmental funds**

IPS' governmental funds consist of the general fund, special revenue funds, debt service fund and capital funds.

#### ***General Fund***

The General Fund is IPS' operating fund and is used to budget and account for all receipts and disbursements relative to the basic operation and basic programs of the School Corporation. Disbursements from this fund may be made for items associated with the daily operation of a school corporation.

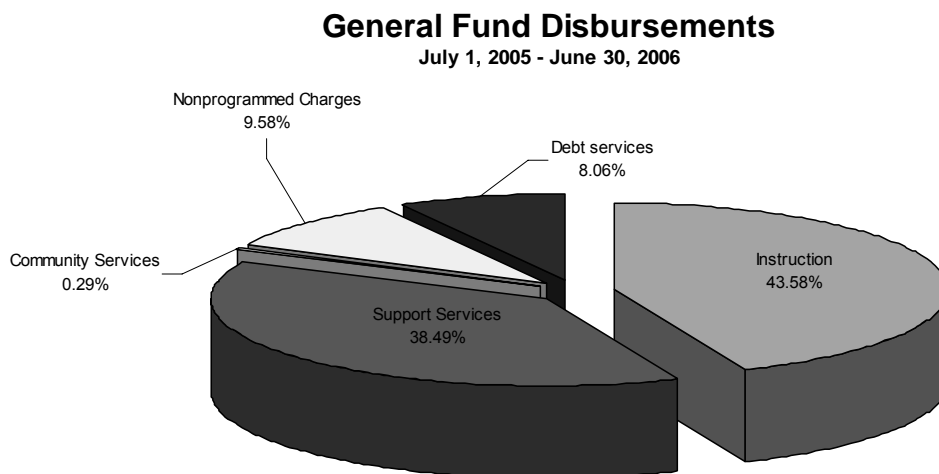
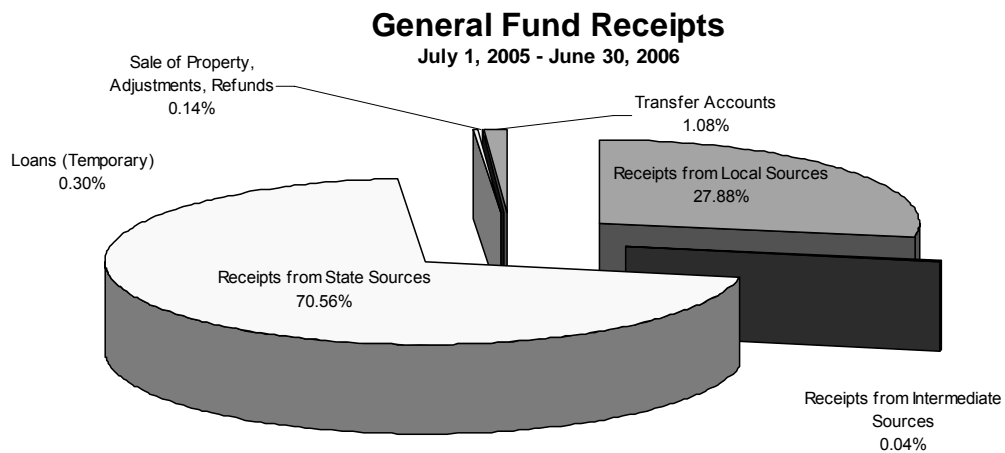
The cash balance in IPS' general fund at the close of the fiscal year was \$41.2 million. Of this \$41.2 million cash balance, \$1.7 million is committed to pay legal purchase obligations entered into by the District, \$9.5 million is escrowed for summer teacher salaries, and \$215 thousand is the budgeted carry-forward reserved according to statutory regulations in P.L. 340.

The total cash position for IPS' General Fund decreased by approximately \$10.5 million for the fiscal year.



## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS *(continued)*

The total General Fund cash receipts for the fiscal year ended June 30, 2006, were \$329 million. The total cash disbursements were \$339 million. The following charts present a summary of General Fund receipts by source and disbursements by major function for the fiscal year ended June 30, 2006:





## **FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS *(concluded)***

### ***Other Funds***

The cash balance of the Debt Service Funds showed a decrease of \$11.6 million. This decrease is due to the timing of receipts and expenditures for repayment of the Construction Bonds.

A Rainy Day Fund was authorized by IC 36-1-8-5 to receive transfers of unused and unencumbered funds under IC 36-1-8-5(b). The balance of the Rainy Day Fund for the fiscal year ended June 30, 2006 was 9,750,000.



## **BUDGETARY HIGHLIGHTS**

### ***General Fund***

Actual cash receipts in the General Fund for calendar year 2005 were 97.6% compared to our Budget Order. This is consistent with 2004; however the percentage does not follow our normal pattern of collections. Prior years' percentages were normally 97.3% and it is expected that we will return to this range in the future. It should be noted that the State of Indiana tuition support payments were reduced in calendar year 2003, but legislation allowed school districts to transfer an amount equal to the shortfall from their Debt Service Fund, Capital Projects Fund (CPF) or Transportation Fund. IPS chose to cover the 2006 General Fund State Tuition Support shortfall with a transfer to its CPF Fund (\$5,962,296).



## CAPITAL ASSETS AND DEBT ADMINISTRATION

### *Capital Assets and Comparative Analysis*

As of June 30, 2006, IPS had invested \$478 million in capital assets, including land, buildings and improvements, buses and other vehicles, furniture and equipment, and construction in progress. The following schedule presents gross capital asset balances for the calendar year ended June 30, 2006, with comparative year ended June 30, 2005. (Historical note: Arlington HS (\$18,170,064) and Broad Ripple HS (\$21,243,033) were removed from IPS assets in the June 2003 statements and these building assets are currently held by the IPS Multi School Multi School Building Corp. Likewise, In July of 2004, Emmerich Manual HS (\$19,378,453) and Northwest HS (\$16,149,585) building assets were transferred to the Multi School Multi School Building Corp.) In March 2006, title to Washington MS (\$17,133,785), T.C. Howe MS (\$16,961,047) and Shortridge MS (\$16,055,047) were transferred to the Holding Corp.

	<u>2005 - 2006</u>	<u>2004 - 2005</u>
Land	\$2,086,002	\$2,105,002
Buildings; Note 1 and 2	340,910,441	391,060,320
Improvements other than building	742,408	742,408
Machinery and equipment	43,149,587	42,773,586
Construction in progress	<u>\$108,171,245</u>	<u>\$77,797,059</u>
Total Government Activity, capital assets not being depreciated	<u>\$495,059,683</u>	<u>\$514,478,375</u>

### *Debt Administration*

At June 30, 2006, with comparative year ended June 30, 2005, IPS had \$427.6 million in long-term debt outstanding and \$3.3 million in short-term debt. The following table presents a summary of IPS' outstanding debt.

	<u>2005 - 2006</u>	<u>2004 - 2005</u>
Tax Anticipation Warrants	\$ 3,285,791	\$ 29,845,318
Total Short-Term Debt Outstanding	<u>\$ 3,285,791</u>	<u>\$ 29,845,318</u>
General Obligation Bonds	\$ -	\$ 2,365,000
Building Corporation Debt	388,210,000	270,425,000
Common School Loans	7,846,339	7,886,547
Veterans Memorial Loan	48,264	131,944
Severance/Retirement Bond	<u>32,540,000</u>	<u>34,655,000</u>
Total Long-Term Debt Outstanding	<u>\$ 428,644,603</u>	<u>\$ 315,463,491</u>
Total Outstanding Debt	<u>\$ 431,930,394</u>	<u>\$ 345,308,809</u>



## **CAPITAL ASSETS AND DEBT ADMINISTRATION *(concluded)***

IPS maintains “AA” rating from Standard and Poor’s for general obligation debt and “AAA” rating with the current bond insurance coverage.

State statutes currently limit the amount of general obligation debt a school district may issue to 2% of 33 1/3% of its net assessed valuation. IPS’ outstanding general obligation debt is well below its 2006 debt limitation of \$67.9 million.

Additional information on IPS’ outstanding debt can be found in the supplementary information.



## **ECONOMIC FACTORS AND NEXT YEAR’S BUDGET**

Many factors were considered by the IPS administration during the process of developing the calendar 2006 budget. The primary factors were the local economy, IPS’ Capital Improvement Projects (CIP), IPS’ student population, and employee salaries and benefits. Below is a brief discussion of these factors:

The State of Indiana delayed their distribution of monthly tuition support payments in order to control its deficit in calendar year 2002 and continues to do so as of 2005.

Thanks to outstanding community support, IPS successfully passed a \$250 million dollar bond issue in the fall of 2001 to fund Phase I of its CIP. IPS has kept up to date with a good deal of its maintenance and technology needs so the primary focus of the current \$250 million CIP is for enhancements to improve the learning environment. The first issue of \$15.5 million in 2002 was used to update the science labs in 23 of the district’s schools and pay preliminary design and development costs for other capital improvements. Phase II of this issue was finalized with \$136.5 million received in 2003, and \$98.8 million received in July 2004. Phase III of this project was approved in the amount of \$200 million. Of this total, \$119.5 million was received in March, 2006 and \$78.8 million will be received in October, 2006.



## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET *(concluded)***

Enrollment challenges also had to be considered while developing the 2006 budget. IPS has a growing Non English Speaking population that requires additional resources for teaching English as a Second Language. Another enrollment challenge is related to future enrollment growth as a result of a change in the desegregation court order. IPS is under a U.S. District Court order to phase out mandatory, one-way busing to suburban township school districts over an 18 year period, bringing students who live in the desegregation areas back into IPS schools. While the transition will be gradual and accompanied by a small amount of funding assistance from the State of Indiana, it will still pose challenges for the district.

Newly formed charter schools within the IPS district pose an additional financial challenge to IPS based on the state funding structure. IPS is required to levy a property tax on the Charter Schools behalf for all students that have legal settlement within the IPS school district. The financial impact of charter schools on the IPS Tax Levy for 2006 was \$5,425,972.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Indianapolis Public Schools' finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Rodney M. Black, Business Manager  
George W. Smith, Assistant Business Manager  
Jack B. Farley, Controller  
Indianapolis Public Schools  
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Indianapolis, IN 46204  
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INDIANAPOLIS PUBLIC SCHOOLS  
STATEMENT OF CASH AND INVESTMENTS  
June 30, 2006

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 196,415,551
Restricted assets:	
Cash and investments	<u>7,668,981</u>
Total assets	<u>\$ 204,084,532</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ 7,668,981
Unrestricted	<u>196,415,551</u>
Total net assets	<u>\$ 204,084,532</u>

The accompanying notes are an integral part of the financial statements.



INDIANAPOLIS PUBLIC SCHOOLS  
STATEMENT OF CASH ACTIVITIES  
For the Year Ended June 30, 2006

Functions/Programs	Disbursements	Program Receipts		Net (Disbursement) Receipts
		Charges for Services	Operating Grants and Contributions	Total
Governmental activities:				
Instruction	\$ 177,825,297	\$ -	\$ 4,814,338	\$ (173,010,959)
Support services	285,403,932	2,277,910	18,494,575	(264,631,447)
Community services	2,417,701	-	-	(2,417,701)
Nonprogrammed charges	28,143,363	-	-	(28,143,363)
Debt service	<u>59,944,584</u>	-	-	<u>(59,944,584)</u>
Total governmental activities	<u>\$ 553,734,877</u>	<u>\$ 2,277,910</u>	<u>\$ 23,308,913</u>	<u>(528,148,054)</u>
General receipts:				
Property taxes				159,151,066
Other local sources				21,546,694
State aid				226,702,062
Grants and contributions not restricted				67,306,840
Bonds and loans				29,579,098
Sale of property, adjustments, and refunds				458,946
Investment earnings				<u>6,087,996</u>
Total general receipts				<u>510,832,702</u>
Change in cash and investments				(17,315,352)
Net assets - beginning				<u>221,399,884</u>
Net assets - ending				<u>\$ 204,084,532</u>

The accompanying notes are an integral part of the financial statements.

INDIANAPOLIS PUBLIC SCHOOLS  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
GOVERNMENTAL FUNDS  
For The Year Ended June 30, 2006

	General	Transportation Operating	School Lunch	Debt Service	Capital Projects	School Bus Replacement	2004 Series Bonds	2006 Series Bonds	Other	Totals
Receipts:										
Local sources	\$ 91,734,523	\$ 21,144,628	\$ 2,323,003	\$ 16,066,090	\$ 40,270,208	\$ 11,791,404	\$ -	\$ -	\$ 6,389,175	\$ 189,719,031
Intermediate sources	142,051	-	-	-	-	-	-	-	-	142,051
State sources	232,119,375	661,466	70,551	-	493,542	-	-	-	13,824,234	247,169,168
Federal sources	-	-	15,906,765	-	-	-	-	-	53,444,466	69,351,231
Bonds and loans	976,510	-	-	-	-	2,309,281	1,225,588	24,913,514	154,205	29,579,098
Sale of property, adjustments and refunds	451,271	6,397	178	-	1,100	-	-	-	-	458,946
Intergovernmental transfers	3,550,598	10,077	-	-	4,085,951	-	-	-	5,426,342	13,072,968
Total receipts	<u>328,974,328</u>	<u>21,822,568</u>	<u>18,300,497</u>	<u>16,066,090</u>	<u>44,850,801</u>	<u>14,100,685</u>	<u>1,225,588</u>	<u>24,913,514</u>	<u>79,238,422</u>	<u>549,492,493</u>
Disbursements:										
Current:										
Instruction	147,948,900	-	-	-	-	-	-	-	29,876,397	177,825,297
Support services	130,675,012	19,130,955	16,462,941	-	34,465,227	12,805,143	26,042,843	299,539	44,237,692	284,119,352
Community services	974,098	-	-	-	-	-	-	-	1,443,603	2,417,701
Nonprogrammed charges	32,509,256	863,000	10,077	-	2,933,000	-	-	-	7,249,125	43,564,458
Debt services	27,366,237	-	-	25,348,574	-	2,479,081	-	-	4,750,692	59,944,584
Total disbursements	<u>339,473,503</u>	<u>19,993,955</u>	<u>16,473,018</u>	<u>25,348,574</u>	<u>37,398,227</u>	<u>15,284,224</u>	<u>26,042,843</u>	<u>299,539</u>	<u>87,557,509</u>	<u>567,871,392</u>
Excess (deficiency) of total receipts over (under) total disbursements	(10,499,175)	1,828,613	1,827,479	(9,282,484)	7,452,574	(1,183,539)	(24,817,255)	24,613,975	(8,319,087)	(18,378,899)
Cash and investments - beginning	51,726,829	11,436,736	19,033,787	16,307,893	26,677,215	4,823,545	38,107,886	-	49,507,355	217,621,246
Cash and investments - ending	<u>\$ 41,227,654</u>	<u>\$ 13,265,349</u>	<u>\$ 20,861,266</u>	<u>\$ 7,025,409</u>	<u>\$ 34,129,789</u>	<u>\$ 3,640,006</u>	<u>\$ 13,290,631</u>	<u>\$ 24,613,975</u>	<u>\$ 41,188,268</u>	<u>\$ 199,242,347</u>

The accompanying notes are an integral part of the financial statements.

RECONCILIATION OF THE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF CASH ACTIVITIES

Net change in fund balances - total governmental funds	\$ (18,378,899)
Amounts reported for governmental activities in the statement of cash activities are different because:	
Internal service funds are not reported as a part of governmental funds.	1,063,547
Change in cash and investments of governmental activities	<u>\$ (17,315,352)</u>

INDIANAPOLIS PUBLIC SCHOOLS  
STATEMENT OF RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN CASH AND INVESTMENTS  
PROPRIETARY FUND  
For The Year Ended June 30, 2006

	Internal Service Fund
Receipts:	
Transfers	\$ 2,348,127
Disbursements:	
Support services	<u>1,284,580</u>
Changes in cash and investments	1,063,547
Cash and investments - beginning	<u>3,778,638</u>
Cash and investments - ending	<u><u>\$ 4,842,185</u></u>

The accompanying notes are an integral part of the financial statements.

INDIANAPOLIS PUBLIC SCHOOLS  
STATEMENT OF RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN CASH AND INVESTMENTS  
FIDUCIARY FUNDS  
For The Year Ended June 30, 2006

	Pension Trust Funds	Private-Purpose Trust Funds
Additions:		
Local sources	\$ 1,604,806	\$ 304,815
Deductions:		
Support services	1,464,040	-
Nonprogrammed charges	<u>-</u>	<u>38,799</u>
Total deductions	<u>1,464,040</u>	<u>38,799</u>
Excess of total additions over total deductions	140,766	266,016
Cash and investments - beginning	<u>34,906,947</u>	<u>2,023,273</u>
Cash and investments - ending	<u>\$ 35,047,713</u>	<u>\$ 2,289,289</u>

The accompanying notes are an integral part of the financial statements.

INDIANAPOLIS PUBLIC SCHOOLS  
STATEMENT OF CASH AND INVESTMENTS  
FIDUCIARY FUNDS  
June 30, 2006

<u>Assets</u>	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
Cash and investments	<u>\$ 35,047,713</u>	<u>\$ 2,289,289</u>	<u>\$ 13,614,027</u>
<u>Net Assets</u>			
Held in trust for employee benefits and other purposes	<u>\$ 35,047,713</u>	<u>\$ 2,289,289</u>	

The accompanying notes are an integral part of the financial statements.

INDIANAPOLIS PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

School Corporation, as used herein, shall include, but is not limited to, school townships, school towns, school cities, consolidated school corporations, joint schools, metropolitan school districts, township school districts, county schools, united schools, school districts, cooperatives, educational service centers, community schools, community school corporations, and charter schools.

The School Corporation was established under the laws of the State of Indiana. The School Corporation operates under a Board of School Trustees form of government and provides educational services.

The School Corporation's financial reporting entity is composed of the following:

Primary Government

In determining the financial reporting entity, the School Corporation complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Cash and Investments and the Statement of Cash Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The School Corporation does not have any business-type activities at this time.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. However, at this time, the School Corporation has not established any enterprise funds.

The School Corporation reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The transportation operating fund accounts for financial resources for the transportation of school children to and from school.

INDIANAPOLIS PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

The school lunch fund is used to record all receipts from the sale of lunches, federal and state reimbursements, gifts, and other receipts. It can also be used to record all disbursements for personnel service, food, supplies, and equipment used to support the school lunch program.

The debt service fund accounts for debt from funds borrowed or advanced for the purchase or lease of school buildings, school buses, judgments against the corporation, equipment or capital construction, and interest on emergency and temporary loans.

The capital projects fund accounts for planned construction, repair, replacement or remodeling; and the purchase, lease, upgrade, maintenance, or repair of computer equipment.

The school bus replacement fund is used to account for receipts and disbursements concerning the acquisition and disposal of school buses.

The 2004 series bonds construction fund is used to pay costs of certain school facility upgrades, repairs, renovations, acquisition of equipment, and the payment of issuance expenses related to the \$98,840,000, July 2004, phase III portion of the approved \$250 million Construction Bond. The bonds are payable from unlimited ad valorem taxes to be levied on all taxable property in the school district.

The 2006 series bonds construction fund is used to pay costs of certain school facility upgrades, repairs, renovations, acquisition of equipment, and the payment of issuance expenses related to the \$119,495,000, March 2006, phase III portion of the approved \$250 million Construction Bond.

Additionally, the School Corporation reports the following fund types:

The internal service fund accounts for risk financing for risks associated with job related illness or injuries to employees. This is the internal service fund for self-insurance.

The pension trust funds account for bonds and payments anticipated to be made to employees on or after the termination of employment or to pay postretirement or severance benefits held by the School Corporation in a trustee capacity.

The private-purpose trust fund reports a trust arrangement under which principal and income benefit the School Corporation or students who attend the School Corporation.

Agency funds (clearing funds) account for assets held by the School Corporation as an agent for and serve as control accounts for certain cash transactions during the time they are a liability to the School Corporation; that is, from the time they are expensed to the government or withheld from the employee's wages until they are transmitted to the proper payee for the purpose withheld.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, proprietary fund and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The cash and investment basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred. Investment transactions are not presented on the financial statements.

INDIANAPOLIS PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

If the School Corporation utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities are provided to people outside the government (enterprise funds) or other departments or agencies primarily within the government (internal service funds). The School Corporation does not have any enterprise funds. The School Corporation has only one proprietary fund. This is the internal service fund for self-insurance.

When both restricted and unrestricted resources are available for use, the School Corporation's policy is to use restricted resources first, then unrestricted resources as they are needed.

D. Assets and Cash and Investment Balances

1. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as interest receipts in the year of the sale of the investment.

2. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the School Corporation in June and in December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the School Corporation on or prior to June 30 of the year collected.

3. Compensated Absences

a. Sick Leave

Employees earn sick leave at the rate of 10 to 12 days per year based upon months of service. Unused sick leave may be accumulated indefinitely. Accumulated sick leave is paid to employees through cash payments upon retirement at a rate of \$35 to \$55 for each unused day of sick leave.

b. Vacation Leave

Nonteaching or administrative and noncertified School Corporation employees earn vacation leave at rates from 10 to 20 days per school year based upon the number of years of service. Professional employees on 11 and 12 month contracts earn vacation leave at a rate of 15 and 20 days, respectively. Vacation leave does not accumulate from year to year.



INDIANAPOLIS PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

c. Personal Leave

School Corporation employees earn personal leave at the rate of 2 to 3 days per school year. Unused personal leave at year end is added to the employee's sick leave balance which may be accumulated indefinitely.

4. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

5. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as liabilities in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

6. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

It is the School Corporation's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

E. Receipts and Disbursements

1. Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds and the similar discretely presented component unit result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

INDIANAPOLIS PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Cash and Investments and the Statement of Cash Activities, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are reported as reimbursements.
3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Cash and Investments and the Statement of Cash Activities except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Cash and Investments and the Statement of Cash Activities.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

Prior to the first required publication, the fiscal officer of the School Corporation submits to the governing board a proposed operating budget for the year commencing the following July 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the School Corporation receives approval of the Indiana Department of Local Government Finance.

The School Corporation's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

INDIANAPOLIS PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

B. Cash and Investment Balance Deficits

At June 30, 2006, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines as referenced in state statute:

Fund	2006
Textbook Rental Fund	\$ 792,665
Special Education Carryover Fund	318,238
Special Education 05/06 Fund	546,230

Cash and investment deficits arose primarily from disbursements exceeding receipts due to the underestimate of current requirements; these deficits are to be repaid from future receipts.

III. Detailed Notes on All Funds

A. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

B. Interfund Transfers

Interfund transfers for the year ended June 30, 2006, were as follows:

Transfer From	Transfer To	2006
General Fund	Other governmental	\$ 5,262,500
	Internal Service	1,485,127
Transportation Operating Fund	Internal Service	863,000
School Lunch Fund	Transportation Operating	10,077
Capital Projects Fund	General Fund	2,933,000
Other governmental	General Fund	617,598
	Capital Projects Fund	4,085,951
	Other governmental	163,842
Total		<u>\$ 15,421,095</u>

The School Corporation typically uses transfers for cash flow purposes according to various statutes.

INDIANAPOLIS PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

IV. Other Information

A. Risk Management

The School Corporation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

Job Related Illnesses or Injuries to Employees

The School Corporation has chosen to establish a risk financing fund for risks associated with job related illnesses and injuries to employees. The risk financing fund is accounted for in the Self-Insurance Fund, an internal service fund, where assets are set aside for claim settlements. An excess policy through commercial insurance covers individual claims in excess of \$225,000 per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. Amounts are paid into the fund by all funds with payrolls and are available to pay claims, claim reserves, and administrative costs of the program. Interfund premiums are based upon an overall premium percentage which is applied to each fund's gross wages, and are reported as quasi-external interfund transactions.

B. Holding Corporation

The School Corporation has entered into a capital lease with IPS School Building Corporation (the lessor). The lessor was organized as a for profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. The lessor has been determined to be a related party of the School Corporation. Lease payments during the year totaled \$16,746,563.

C. Subsequent Events

On October 4, 2006, the School Corporation entered into two new capital leases with the IPS Multi-School Building Corporation for various construction and renovation projects. One lease was for a total principal amount of \$78,845,000, with lease payments to begin on July 5, 2007. The second lease was for a total principal amount of \$34,495,000, with lease payments to begin on January 5, 2007.

D. Postemployment Benefits

In addition to the pension benefits described below, the School Corporation provides postemployment health benefits, as authorized by Indiana Code 5-10-8, to all employees who retire from the School Corporation on or after attaining age 55 with at least 15 years of service. Currently, 49 retirees meet these eligibility requirements. The School Corporation provides the first \$10,000 per employee for these postemployment benefits. Disbursements for those postemployment benefits are recognized on a pay-as-you-go basis. During the year ended June 30, 2006, disbursements of \$342,689 were recognized for postemployment benefits.

INDIANAPOLIS PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

E. Service Credit Benefits

In addition to the accumulated sick leave benefit referenced in Note I, all employees upon retirement from the government receive a lump sum payment for each year of service with the government. This payment is made at the rate of \$105 to \$175 per year of service, depending on employee classification. Teachers are entitled to a service credit premium payment, in accordance with a defined notification schedule, at a rate of \$0 to \$125 per year of service with the government. The total premium paid related to years of service and accumulated sick days cannot exceed \$100,000 annually.

An employer matched 403b program became effective on July 1, 2000, to replace the service credit accrual, which was phased out after the 2003-2004 school year.

F. Pension Plans

1. Agent Multiple-Employer Defined Benefit Pension Plan

Public Employees' Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system and give the School Corporation authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. The report may be obtained by contacting:

Public Employees' Retirement Fund  
Harrison Building, Room 800  
143 West Market Street  
Indianapolis, IN 46204  
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The School Corporation's annual pension cost and related information, as provided by the actuary, is presented in this note.

INDIANAPOLIS PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Actuarial Information for the Above Plan

	<u>PERF</u>
Annual required contribution	\$ 2,972,002
Interest on net pension obligation	(376,933)
Adjustment to annual required contribution	<u>429,544</u>
Annual pension cost	3,024,613
Contributions made	<u>3,793,339</u>
Decrease in net pension obligation	(768,726)
Net pension obligation, beginning of year	<u>(5,199,074)</u>
Net pension obligation, end of year	<u><u>\$ (5,967,800)</u></u>
Contribution rates:	
School Corporation	5.25%
Plan members	3%
Actuarial valuation date	07-01-05
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	40 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value

Actuarial Assumptions

Investment rate of return	7.25%
Projected future salary increases:	
Total	5%
Attributed to inflation	4%
Attributed to merit/seniority	1%
Cost-of-living adjustments	2%

Three Year Trend Information

	<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
PERF	06-30-03	\$ 3,120,717	133%	\$ (3,934,940)
	06-30-04	2,761,013	146%	(5,199,074)
	06-30-05	3,024,613	137%	(5,967,800)

INDIANAPOLIS PUBLIC SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

2. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

Teachers' Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Teachers' Retirement Fund (TRF), a defined benefit pension plan. TRF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All employees engaged in teaching or in the supervision of teaching in the public schools of the State of Indiana are eligible to participate in TRF. State statute (IC 5-10.2) governs, through the TRF Board, most requirements of the system and gives the School Corporation authority to contribute to the plan. The TRF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The School Corporation may elect to make the contributions on behalf of the member.

TRF issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Teachers' Retirement Fund  
150 West Market Street  
Indianapolis, IN 46204  
Ph. (317) 232-3860

Funding Policy and Annual Pension Costs

The School Corporation contributes the employer's share to TRF for certified employees employed under a federally funded program and all the certified employees hired after July 1, 1995. The School Corporation currently receives partial funding, through the school funding formula, from the State of Indiana for this contribution. The employer's share of contributions for certified personnel who are not employed under a federally funded program and were hired before July 1, 1995, is considered to be an obligation of, and is paid by, the State of Indiana.

The School Corporation is to contribute at an actuarially determined rate. The current rate has been actuarially determined under the entry age normal cost method to be 6.82% of covered wages. The School Corporation's required contributions to the plan for the fiscal years ended June 30, 2006, 2005, and 2004, were \$7,196,063, \$6,778,084, and \$6,246,275, respectively. The School Corporation actually contributed 100% of the required contribution for each of the fiscal years, respectively.

INDIANAPOLIS PUBLIC SCHOOLS  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-03	\$ 72,931,928	\$ 69,573,764	\$ 3,358,164	105%	\$ 62,771,084	5%
07-01-04	74,235,506	72,193,869	2,041,637	103%	64,563,202	3%
07-01-05	77,241,747	81,004,229	(3,762,482)	95%	67,917,393	(6%)



**INDIANAPOLIS PUBLIC SCHOOLS  
BUDGET TO ACTUAL REPORT**

Calendar 2005

General Fund # 010

REVENUE					
Source Code	Description	Budget		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
		Original	Final		
1000	Local Revenue	\$149,776,627	\$89,757,846	\$94,824,581	\$5,066,735 <sup>1</sup>
2000	Transfer Revenue	146,764,924	3,990,500	162,573	(3,827,927)
3000	State Revenue	930,510	224,078,576	224,147,950	69,374
4000	Federal Revenue	0	0	511,300	511,300
5000		0	0	0	0
6000		0	0	0	0
7000	Other Revenue	0	4,419,400	444,898	(3,974,502)
9000	Transfers	34,235,000	0	3,550,598	3,550,598
<b>Total Revenue</b>		<b>\$331,707,061</b>	<b>\$322,246,322</b>	<b>\$323,641,900</b>	<b>\$1,395,578 <sup>2</sup></b>

EXPENDITURES & OBLIGATIONS					
Object Code	Description	Budget		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
		Original	Final		
1000	Salaries	\$218,500,635	\$221,317,696	\$217,974,171	\$3,343,525
2000	Employee Benefits	57,644,417	58,387,609	54,003,727	4,383,882
3000	Purchased Services	47,281,341	47,890,925	39,702,927	8,187,998
4000	Supplies & Materials	5,815,042	5,890,014	5,884,642	5,372
5000	Capital Expenditures	309,268	313,255	693,099	(379,844)
6000	Fees, Judgements, Technology	210,445	213,158	12,887	200,271
7000	Transfers/Other	1,945,912	1,971,000	6,379,131	(4,408,131)
<b>Total Expenditures &amp; Obligations</b>		<b>\$331,707,061</b>	<b>\$335,983,657</b>	<b>\$324,650,583</b>	<b>\$11,333,074 <sup>2</sup></b>

1 Actual Property Tax receipts were 98.30% of the levy.

2 Temporary Loan amount of \$27,366,236.75 is excluded from both Revenue and Expenditures.

**INDIANAPOLIS PUBLIC SCHOOLS**  
**BUDGET TO ACTUAL REPORT**  
Calendar 2005

Transportation Fund # 041

REVENUE					
Source Code	Description	Budget		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
		Original	Final		
1000	Local Revenue	\$22,374,311	\$21,880,788	\$20,786,808	(\$1,093,980) <sup>1</sup>
7000	Other Revenue	0	0	1,601,118	1,601,118
9000	Transfers	0	0	0	0
<b>Total Revenue</b>		<b>\$22,374,311</b>	<b>\$21,880,788</b>	<b>\$22,387,926</b>	<b>\$507,138</b>

EXPENDITURES & OBLIGATIONS					
Object Code	Description	Budget		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
		Original	Final		
1000	Salaries	\$11,865,872	\$11,865,872	\$11,508,584	\$357,288
2000	Employee Benefits	3,936,713	3,936,713	3,179,388	757,325
3000	Purchased Services	5,522,561	5,522,561	3,923,522	1,599,039
4000	Supplies & Materials	1,623,889	1,623,889	1,572,791	51,098
5000	Capital Expenditures	47,200	47,200	15,041	32,159
6000	Fees, Judgements, Technology	72,643	72,643	53,815	18,828
7000	Transfers/Other	0	0	0	0
<b>Total Expenditures &amp; Obligations</b>		<b>\$23,068,878</b>	<b>\$23,068,878</b>	<b>\$20,253,140</b>	<b>\$2,815,738</b>

1 Actual Property Tax receipts were 98.30% of the levy.

**INDIANAPOLIS PUBLIC SCHOOLS**  
**BUDGET TO ACTUAL REPORT**  
 Calendar 2005

Transportation Bus Replacement Fund # 042

REVENUE					
Source Code	Description	Budget		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
		Original	Final		
1000	Local Revenue	\$12,520,000	\$11,474,620	\$11,380,196	(\$94,424) <sup>1</sup>
<b>Total Revenue</b>		\$12,520,000	\$11,474,620	\$11,380,196	(\$94,424) <sup>2</sup>

EXPENDITURES & OBLIGATIONS					
Object Code	Description	Budget		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
		Original	Final		
3000	Purchased Services	11,396,000	11,396,000	11,421,009	(25,009)
5000	Capital Expenditures	1,124,000	2,428,198	2,081,208	346,990
<b>Total Expenditures &amp; Obligations</b>		\$12,520,000	\$13,824,198	\$13,502,217	\$321,981 <sup>2</sup>

1 Actual Property Tax receipts were 98.30% of the levy.

2 Both Revenue and Expenditures do not include the Temporary Loan amount of \$2,479,081.

INDIANAPOLIS PUBLIC SCHOOLS  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF CAPITAL ASSETS

For The Fiscal Year Ended June 30, 2006

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 2,086,002
Buildings	340,910,441
Improvements other than buildings	742,408
Machinery and equipment	43,149,587
Construction in progress	<u>108,171,245</u>
Total governmental activities, capital assets not being depreciated	<u><u>\$ 495,059,683</u></u>

Note 1: Title to Arlington HS (\$18,170,064) and Broad Ripple HS (\$21,243,033) were transferred to the Holding Corp. in 2003.

Note 2: Title to Northwest HS (\$16,149,585) and Manual HS (\$19,378,453) were transferred to the Holding Corp. in July, 2004.

Note 3: Title to Washington MS (\$17,133,785), T. C. Howe MS (\$16,961,047) and Shortridge MS (\$16,055,047) were transferred to the Holding Corp. in March, 2006.

INDIANAPOLIS PUBLIC SCHOOLS  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF LONG-TERM DEBT

For The Year Ended June 30, 2006

Description of Debt	Ending Balance	Due Within One Year
Governmental Activities:		
Capital leases:		
1997 Lease Rental Bond	\$ 34,215,000	\$ 1,795,000
2003 Lease Rental Bond	135,660,000	-
2004 Lease Rental Bond	98,840,000	3,345,000
2006 Lease Rental Bond	119,495,000	-
Notes and loans payable		
Tax Anticipation Loan	3,285,791	3,285,791
Common School Loans	7,846,339	2,728,606
Veterans Memorial Loan	48,264	48,264
Bonds payable:		
General obligation bonds:		
Severance Bond	32,540,000	1,460,000
Total governmental activities long-term debt	<u>\$ 431,930,394</u>	<u>\$ 12,662,661</u>

## INDIANAPOLIS PUBLIC SCHOOLS AUDIT RESULTS AND COMMENTS

### OVERDRAWN CASH BALANCES

The cash balance of the Textbook Rental Fund, Special Education Carryover Fund, and Special Education 05/06 Fund was overdrawn at June 30, 2006.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

### TEXTBOOK RENTAL CHARGES

We determined when reviewing the amounts charged for textbook rental that the School Corporation was overcharging students for textbook rental. The School Corporation calculated the annual rental fee on 120% of the contract price of the textbooks instead of the actual retail price of the textbooks.

Indiana Code 20-26-12-2 states in part:

"(a) A governing body may purchase from a contracting publisher, at a price equal to or less than the net contract price, any textbook adopted by the state board and selected by the proper local officials. The governing body may rent these textbooks to students enrolled in any public or non-public school that is:

- (1) in compliance with the minimum certification standards of the state board; and
- (2) located within the attendance unit served by the governing body. The annual rental rate may not exceed twenty-five percent (25%) of the retail price of the textbooks."

Therefore, we are of the audit position that up to twenty-five (25%) percent of the retail price of a textbook may be collected annually (which could include actual shipping and handling) for each year of the original six year adoption period. A textbook costing twelve dollars (\$12.00) (which includes shipping and handling) could be recovered at a maximum of eighteen dollars (\$18.00) over the six year period (\$12.00/4, x 6). (The School Administrator and Uniform Compliance Guidelines, Volume 145, page 6)

### TEXTBOOK RENTAL RECEIPTS AND STUDENT ACCOUNTS

Textbook rental receipts for some of the elementary and middle schools for the school year were not presented for audit. The system used to maintain individual textbook rental accounts for students in the elementary and middle schools does not allow prior year receipts to be retrieved. Information provided for audit did not allow textbook rental payments to be traced to bank deposits or postings to student's accounts.

Indiana Code 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

INDIANAPOLIS PUBLIC SCHOOLS  
AUDIT RESULTS AND COMMENTS  
(Continued)

FACILITY USAGE FEES

Fees collected for the public's use of School Corporation facilities and equipment have been collected, retained, and accounted for in the Extra-Curricular Accounts at 28 different schools, ranging in amounts totaling from \$50 to \$57,319. The total fees collected at all schools amounted to \$149,089 during the school year. The schools used the fees collected to purchase items such as staff appreciation gifts, lunches and/or food for staff meetings, student awards and incentives, and items used for maintenance and upkeep on their particular facility. Similar comments have appeared in the prior nine audit reports.

Indiana Code 20-26-4-1 concerning duties of the School Corporation Treasurer, provides in part: "The treasurer is the official custodian of all funds of the school corporation and is responsible for the proper safeguarding and accounting for the funds . . ." Therefore, all grant monies and properly authorized fees at an individual building should be transferred to the School Corporation Central Office on a timely and regular basis for receipting into the appropriate school corporation fund. The School Corporation Attorney should provide written guidance concerning whether fees are appropriate in regards to Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

GRANT FUNDS

Numerous grant funds were collected, retained, and accounted for in the Extra-Curricular Accounts at 68 different schools, ranging in amounts totaling from \$157 to \$94,796. The total funds collected at all schools amounted to \$535,290 during the school year. Similar comments have appeared in the prior nine audit reports.

All financial transactions related to the School Corporation should be accounted for in the School Corporation records. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

Indiana Code 20-26-4-1 concerning duties of the School Corporation Treasurer, provides in part: "The treasurer is the official custodian of all funds of the school corporation and is responsible for the proper safeguarding and accounting for the funds . . ." Therefore, all grant monies and properly authorized fees at an individual building should be transferred to the School Corporation Central Office on a timely and regular basis for receipting into the appropriate school corporation fund. The School Corporation Attorney should provide written guidance concerning whether fees are appropriate in regards to Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

INDIANAPOLIS PUBLIC SCHOOLS  
EXTRA-CURRICULAR ACCOUNTS  
AUDIT RESULTS AND COMMENTS

**ARLINGTON HIGH SCHOOL 722**

PETTY CASH FUND ACTIVITY

A Petty Cash Fund exists in the Extra-Curricular Account for small purchases. The Petty Cash Fund was established using extra-curricular funds. A similar comment has appeared in several prior audit reports.

Indiana Code 20-40-13-4 states in part: "If a fund is established, the governing body shall make an appropriation for such fund in an amount not to exceed five hundred dollars (\$500.00)."

RECEIPT CLASSIFICATION

The receipt classification did not agree to the deposit slips. Receipts, in total, agreed to the amount deposited.

Indiana Code 5-13-6-1(c) states in part: "Public funds deposited . . . shall be deposited in the same form in which they were received."

UNPAID BILLS

Information presented for audit indicated that, in some cases, amounts payable to vendors and other suppliers of goods were not paid timely. There were several outstanding invoices for band and color guard uniforms reviewed that were not paid as of June 30, 2006. One unpaid invoice was dated October 24, 2005. Late fees and finance charges had accrued on these bills.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

CHEERLEADING FUNDRAISER

A fundraiser for the cheerleading fund was to be held during the school year. Candy was ordered in October 2005 at a cost of \$3,150. After the candy was received, it was misplaced and/or ruined and was unable to be sold. As of June 30, 2006, a balance of \$1,827.53 was still owed for the candy which included \$177.53 in finance charges. No information was provided at the time of the audit indicating that prior approval for the fundraiser was given.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.



INDIANAPOLIS PUBLIC SCHOOLS  
EXTRA-CURRICULAR ACCOUNTS  
AUDIT RESULTS AND COMMENTS  
(Continued)

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

Governmental units which conduct fund raising events should have the express permission of the governing body for conducting the fund raiser as well as procedures in place concerning the internal controls and the responsibility of employees or officials. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

#### LOCKER DEPOSITS FEES

A locker deposit fee was charged to each student regardless of whether or not the student qualified for free textbook rental. This deposit was collected to cover the damage of lockers by students. If, when the student withdraws or graduates, there is no damage to the lockers, and there are not other fees that are owed by the student, the deposits are to be returned to the students. The disbursements reviewed in the fund designated for the locker deposits showed no disbursements for any repairs on lockers, and only six students were refunded money. There was no School Corporation policy presented for audit that authorized the collection of these deposits.

Fees should only be collected as specifically authorized by statute or properly authorized resolutions or ordinances, as applicable, which are not contrary to statutory or Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

Persons, companies or governmental units that have overpaid amounts to a governmental unit are entitled to a repayment or refund by check or warrant. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

#### TEXTBOOK RENTAL

A flat fee of \$160 was charged to each student for textbook rental at the beginning of the school year. Once the School Corporation calculated the textbook rental amounts due, the information was forwarded to the school and posted to the students' records. The flat fee collected created a positive or negative balance in the students' accounts. The School Corporation has the following unwritten policy regarding student accounts: negative balances will be billed to the student for the difference owed, and positive balances will be refunded if requested by the student or applied to the next school year and the student account will be settled upon graduation. If a student paid for textbook rental and was later determined to qualify for free textbook rental, a refund is to be given immediately.

Several discrepancies were noted in the hand posted textbook rental account records examined. Not all transactions were properly posted to the students' account records. Some receipts were included in the students' folder but not posted to the record. Some students had positive balances; however, a refund was not given and the amount was not applied to the next year's textbook rental. Additionally, in one case, a student was charged for textbook rental and was subsequently determined to be eligible for free textbook rental. No refund was posted to the student's account record, and no refund could be located when reviewing disbursements out of the Textbook Rental Fund.

INDIANAPOLIS PUBLIC SCHOOLS  
EXTRA-CURRICULAR ACCOUNTS  
AUDIT RESULTS AND COMMENTS  
(Continued)

Persons, companies or governmental units that have overpaid amounts to a governmental unit are entitled to a repayment or refund by check or warrant. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

**ARSENAL TECHNICAL HIGH SCHOOL 716**

PETTY CASH FUND ACTIVITY

A Petty Cash Fund exists in the Extra-Curricular Account for small purchases. The Petty Cash Fund was established using extra-curricular funds. A similar comment appeared in several prior audit reports.

Indiana Code 20-40-13-4 states in part: "If a fund is established, the governing body shall make an appropriation for such fund in an amount not to exceed five hundred dollars (\$500.00)."

INTEREST ON INVESTMENTS

Interest earned on investments, in some instances, was automatically added to the principal of the investment and not recorded in the records.

Interest on investments should not be automatically added into the investment. Instead, interest on investments should be paid to the governmental unit at each maturity date and posted to the appropriate fund. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

CONDITION OF RECORDS

Financial records presented for audit were incomplete and not reflective of the activity of the Extra-Curricular Account. The records presented did not provide sufficient information related to the purchase of a certificate of deposit during the current audit period. No records were presented for audit indicating that the investment had been purchased. Additionally, the funds ledger did not reflect the investment balance.

INDIANAPOLIS PUBLIC SCHOOLS  
EXTRA-CURRICULAR ACCOUNTS  
AUDIT RESULTS AND COMMENTS  
(Continued)

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

#### TEXTBOOK RENTAL

A flat fee of \$165 was charged to each student for textbook rental at the beginning of the school year. Once the School Corporation calculated the textbook rental amounts due, the information was forwarded to the school and was to be posted to the students' records. However, for the 2005-2006 school year, not all of the textbook rental charges were posted to the students' account records. The flat fee collected created a positive or negative balance in the students' accounts. The School Corporation has the following unwritten policy regarding student accounts: negative balances will be billed to the student for the difference owed, and positive balances will be refunded if requested by the student or applied to the next school year and the student account will be settled upon graduation. If a student paid for textbook rental and was later determined to qualify for free textbook rental, a refund is to be given immediately.

Several discrepancies were noted in the hand posted textbook rental account records tested. Not all transactions were properly posted to the students' account records. Some receipts were included in the students' folder but were not posted. Since not all of the fees for the school year were posted to the students' records, the resulting negative or positive balances could not be determined. One student had paid the flat fee but had no account record on file. The school officials assumed that the student withdrew; however, there was no record that the fee had been refunded.

Persons, companies or governmental units that have overpaid amounts to a governmental unit are entitled to a repayment or refund by check or warrant. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

INDIANAPOLIS PUBLIC SCHOOLS  
EXTRA-CURRICULAR ACCOUNTS  
AUDIT RESULTS AND COMMENTS  
(Continued)

**BROAD RIPPLE HIGH SCHOOL 717**

PETTY CASH FUND ACTIVITY

A Petty Cash Fund exists in the Extra-Curricular Account for small purchases. The Petty Cash Fund was established using extra-curricular funds. A similar comment appeared in several prior audit reports.

Indiana Code 20-40-13-2 states in part: "If a fund is established, the governing body shall make an appropriation for such fund in an amount not to exceed five hundred dollars (\$500.00)."

UNPAID BILLS - DELINQUENT ACCOUNT

Information presented for audit indicated that the Athletic Department had an amount payable of \$15,719.25 at June 30, 2006, to Kesslers Team Sports for goods and services received in 2002 and 2003.

The amounts owed were \$4,702.73 for 2002 and \$11,016.52 for 2003. These amounts were not paid until July 12, 2006. No late fees or penalties were assessed or paid on the outstanding amounts owed.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

**EMMERICH MANUAL HIGH SCHOOL 715**

TEXTBOOK INDEBTEDNESS

We discovered that the school was indebted to textbook publishers for a combined amount in excess of \$164,000.

A governmental unit may not incur indebtedness unless specifically allowed by statute. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts Chapter 7).

UNCOLLECTED TEXTBOOK RENTAL FEES

Financial records presented for audit were incomplete and not reflective of the activity of the Textbook Rental Fund. The records presented did not provide sufficient information to audit or establish the amount of uncollected textbook rental fees. It was not possible to determine the reasonableness of textbook rental collections without knowing the amount that has not been collected.

INDIANAPOLIS PUBLIC SCHOOLS  
EXTRA-CURRICULAR ACCOUNTS  
AUDIT RESULTS AND COMMENTS  
(Continued)

Indiana Code 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

PREScribed FORMS

The following prescribed or approved forms were not always in use: Form TBR-2, Official Receipts – Individual Textbook Rental List.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

**NORTHWEST HIGH SCHOOL 723**

PETTY CASH FUND ACTIVITY

A Petty Cash Fund exists in the Extra-Curricular Account for small purchases. The Petty Cash Fund was established using extra-curricular funds. A similar comment appeared in several prior audit reports.

Indiana Code 20-40-13-4 states in part: "If a fund is established, the governing body shall make an appropriation for such fund in an amount not to exceed five hundred dollars (\$500.00)."

TEXTBOOK RENTAL

A flat fee of \$175 was charged to each student for textbook rental at the beginning of the school year. Once the School Corporation calculated the textbook rental amounts due, the information was forwarded to the school and posted to the students' summary of account. The flat fee collected created a positive or negative balance in the students' accounts. The School Corporation has the following unwritten policy regarding student accounts: negative balances will be billed to the student for the difference owed, and positive balances will be refunded if requested by the student or applied to the next school year and the student account will be settled upon graduation. If a student paid for textbook rental and was later determined to qualify for free textbook rental, a refund is to be given immediately.

Of the textbook rental payments tested, 50% either had not been posted or had been posted incorrectly to the students' Summary of Account. As a result, the flat fee charged at the beginning of the school year was not adjusted for these students. Therefore, any amounts due from the students were not collected, and any amounts owed to the students were not refunded.

Persons, companies or governmental units that have overpaid amounts to a governmental unit are entitled to a repayment or refund by check or warrant. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

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At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

**NEW BEGINNINGS HIGH SCHOOL 798**

**STUDENT ACTIVITY FEE**

A student activity fee was collected from students during the audit period. There was no indication that the fee was approved by the School Board. Additionally, the fee was not consistently posted to one fund, but was posted to the General Fund in some cases and to the Textbook Fund in other cases.

Fees should only be collected as specifically authorized by statute or properly authorized resolutions or ordinances, as applicable, which are not contrary to statutory or Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

**TEXTBOOK FUND**

The Textbook Fund receipts during the audit period consisted of student activity fees and the portion of the textbook reimbursement received from the State allocated to the School by the School Corporation. The student activity fee was charged to students and was to be used for activities such as field trips and other projects for the students. We noted upon reviewing the expenditures of this fund that several staff purchases were made such as a staff breakfast, flowers, Christmas gifts, staff treats, and refreshments for staff appreciation. Gift cards to a restaurant and a plaque for the Principal were also purchased from this fund.

Additionally, other items were purchased from the Textbook Fund for which the School had other designated funds to make the purchases from. The School maintained a Prom Fund, but paid for the prom photographer from of the Textbook Fund. The School purchased items sold in a fundraiser from the Textbook Fund, but the proceeds from the sale of those items were posted to the Family Projects Fund.

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses paid by the governmental entity may be the personal obligation of the responsible official and employee. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

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(Continued)

CONDITION OF RECORDS

Financial records presented for audit were inaccurate and not reflective of the activity of the Extra-Curricular funds. The fund designated on checks and claims was not necessarily the fund that the expenditure was actually posted to.

There were several problems noted with the issuing and posting of receipts. Each individual receipt was not posted to the ledger. Receipts were posted as an overall deposit amount in which no receipt number was indicated or just one receipt number out of a series of receipts was indicated. Receipts were not issued in chronological order. Additionally, there were numerous receipts that were voided on the duplicate copy; however, the original receipt was not presented for audit.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

Indiana Code 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

**DAY ADULT HIGH SCHOOL 764**

RECEIPT ISSUANCE

In several instances, the total deposit amounts were more than the total amount of receipts indicated on the deposit tickets.

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

TIMELY DEPOSITS

Receipts, in numerous instances, were not deposited within a reasonable amount of time. Of receipts tested, 40% were deposited later than five days after the money was received. Receipts, in one instance, were held for a period in excess of 29 days before depositing.

Indiana Code 20-41-1-9 states in part: ". . . receipts shall be deposited without unreasonable delay."

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INTERNAL CONTROLS

Controls over receipting were insufficient. Receipts were not issued chronologically. There were several receipt series of numbers used, along with several individuals issuing those receipts. We could not determine which receipt series were used because of the large gaps between the receipt series used and the number of individuals issuing receipts. Receipts were not posted individually to the records. Instead, receipts were posted as an overall deposit amount in which no receipt number was indicated or just one receipt number out of a series of receipts was indicated.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

PUBLIC RECORDS RETENTION

Receipts in the series 73851-73912 were not presented for audit. Additionally, there were numerous voided receipts for which the original receipt was not presented for audit.

Indiana Code 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

**GEORGE WASHINGTON COMMUNITY SCHOOL 421**

UNPAID BILLS - INTEREST AND OTHER CHARGES

Information presented for audit indicates that, in some cases, amounts payable to vendors and other suppliers of goods and services are not being paid until several months after the invoice dates. A purchase was made from Kratz Sporting Goods, Inc., in October 2005, and no payments were made to this vendor until August 17, 2006. A balance of \$8,895.28 was still outstanding to this vendor as of November 1, 2006. No penalties or interest had been assessed by the vendor as of that date. A similar comment appeared in prior Audit Report B26696.

Officials and employees have the duty to pay claims in a timely fashion. Failure to pay claims in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.



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Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

EXTRA-CURRICULAR DISBURSEMENTS

Some School Corporation faculty and staff, working as gate workers, officials, custodians, kitchen help, etc., were paid directly from the extra-curricular funds. Proper payroll procedures were not followed.

The School Administrator and Uniform Compliance Guidelines, Volume 130, Page 5, states in part that pay of teachers and other personnel for service at interscholastic athletic events such as ticket takers, scoreboard personnel, etc., are expenses of the Athletic Fund of the Extra-Curricular Account. Pay of concession stand supervisors and of ticket takers, etc., for fine arts events should be paid from the proceeds of the activity sponsoring these events. Payment to all such personnel must be by way of a payroll. If an extra-curricular payroll is not maintained, the payments may be made a part of the corporation payroll and charged to a school corporation General Fund appropriation; however, the General Fund must be reimbursed for such payment by the activity which the employees served. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 1)

GENERAL FUND PURCHASES

Purchases for staff related expenses were made from the Vending Fund, a General Fund.

The State Board of Accounts consistently has been of the audit position to not take an audit exception to a school extra-curricular account having a general fund if the fund consists of revenues received from functions (vending machines or sales of a similar nature, etc.) not generated by students for a specific class or organization (for which a fund should be established). Our audit position has been with the provision that the functions for which the expenditures are made benefit the student body as a whole (as opposed to a select group of students, school employees or administrators). Examples of appropriate expenditures in the past would be convocations, field trip which the entire student body has the opportunity to take during the course of the school year, etc. Our audit position has been based in part upon the substance of the transactions (the revenues are primarily from student or parents paying into vending machines, picture money, etc.). Naturally, we would not take audit exception to a public policy of these types of functions be used to offset the cost of the function (reduce the prices of vending machine, reduce the cost of pictures, etc.). (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 6)

ECA DEPOSITS

Receipts were not always deposited within a reasonable time. Receipts, in some instances, were held for periods in excess of 20 days before depositing.

Indiana Code 20-41-1-9 states in part: ". . . receipts shall be deposited without unreasonable delay."

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(Continued)

**FOREST MANOR MIDDLE SCHOOL 554**

DISBURSEMENT DOCUMENTATION

Several payments were observed which did not contain adequate supporting documentation such as receipts and invoices. A disbursement was made in one instance from three funds with several receipts attached to the claim for payment; however, the claim did not itemize the purchases nor specify which purchases were made from each of the funds. Several instances were noted where the claim had no description or explanation of the purpose for the purchase. A similar comment appeared in prior Audit Report B26696.

Due to the lack of supporting information, the validity and accountability for some monies disbursed could not be established.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7).

FUND SOURCES AND USES

We noted in prior audit periods, students were charged a user fee for computer use. This fee was posted to the TKB Fund. These user fees were to be spent for computers and computer related expenses. \$1,111.66 was spent during the current audit period from the TKB Fund for a catered dinner for staff members. A similar comment appeared in prior Audit Report B26696.

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses paid by the governmental entity may be the personal obligation of the responsible official and employee. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

**CRISPUS ATTUCKS MIDDLE SCHOOL 518**

PENALTIES, INTEREST AND OTHER CHARGES

Information presented for audit indicated that, in some cases, amounts payable to vendors and other suppliers of goods and services were not being paid until 30 days after the invoice dates. Late fees totaling \$21.60 were paid to a vendor during the audit period.

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Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

**H. L. HARSHMAN MIDDLE SCHOOL 501**

OVERDRAWN CASH BALANCES

The cash balance of the Athletic Fund, Band Fund, Faculty Fund, Student Council Fund and Yearbook Fund was overdrawn during the audit period.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

**FREDERICK DOUGLASS MIDDLE SCHOOL 519**

GENERAL FUND PURCHASES

Purchases for staff related expenses were made from the General Fund.

The State Board of Accounts consistently has been of the audit position to not take an audit exception to a school extra-curricular account having a general fund if the fund consists of revenues received from functions (vending machines or sales of a similar nature, etc.) not generated by students for a specific class or organization (for which a fund should be established). Our audit position has been with the provision that the functions for which the expenditures are made benefit the student body as a whole (as opposed to a select group of students, school employees or administrators). Examples of appropriate expenditures in the past would be convocations, field trip which the entire student body has the opportunity to take during the course of the school year, etc. Our audit position has been based in part upon the substance of the transactions (the revenues are primarily from student or parents paying into vending machines, picture money, etc.). Naturally, we would not take audit exception to a public policy of these types of functions be used to offset the cost of the function (reduce the prices of vending machine, reduce the cost of pictures, etc.). (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 6)

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(Continued)

**CLARENCE L. FARRINGTON MIDDLE SCHOOL 561**

OVERDRAWN CASH BALANCES

The cash balance of the Staff Fund was overdrawn at June 30, 2006.

The cash balance of any fund may not be reduced below zero. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

DISBURSEMENT DOCUMENTATION

Several payments were observed which did not contain adequate supporting documentation such as receipts and invoices.

Due to the lack of supporting information, the validity and accountability for some monies disbursed could not be established.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

PENALTIES, INTEREST AND OTHER CHARGES

Information presented for audit indicated that, in some cases, amounts payable to vendors and other suppliers of goods and services were not being paid until four months after the invoice dates.

Penalties and interest totaling \$123.95 were paid to various vendors within the audit period.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

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(Continued)

**RAYMOND F. BRANDES ELEMENTARY SCHOOL 65**

FUND SOURCES AND USES

Interest income and grant receipts were posted to the Support Fund, a faculty/staff fund.

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

**JOYCE KILMER ACADEMY ELEMENTARY SCHOOL 69**

ECA DEPOSITS

Receipts were not always deposited within a reasonable time. Receipts, in some instances, were held for periods in excess of 32 days before depositing.

Indiana Code 20-41-1-9 states in part: ". . . receipts shall be deposited without unreasonable delay."

**ROUSSEAU MCCLELLAN ELEMENTARY SCHOOL 91**

ECA DEPOSITS

Receipts were not always deposited within a reasonable time. Receipts, in one instance, were held for a period in excess of 42 days before depositing, included nine receipts, and accumulated to over \$3,021, before the deposit was made.

Indiana Code 41-1-9 states in part: ". . . receipts shall be deposited without unreasonable delay."

**GEORGE H. FISHER ELEMENTARY SCHOOL 93**

PENALTIES, INTEREST AND OTHER CHARGES

Amounts payable to vendors and other suppliers of goods and services in some cases are not being paid until three months after the invoice dates.

Penalties and interest totaling \$76.84 were paid to a vendor during the audit period.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

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Additionally officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

NONUSE OF TICKET SALES FORM SA-4

We noted several instances where the Form SA-4, Ticket Sales Report, was not used properly. Not all ticket sales were recorded on a Form SA-4. All of the ticket sales reports presented for audit were written on the same date. However, sporting events were held at various times during the school year. As a result, full accountability for all money received from admissions could not be determined. A similar comment appeared in prior Audit Report B26696.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

Ticket sales conducted by any activity should be accounted for as follows:

The treasurer should be responsible for the proper accounting for all tickets and should keep a record of the number purchased, the number issued for sale, and the number returned. The treasurer should see that proper accounting is made for the cash received from those sold. All tickets shall be prenumbered, with a different ticket color and numerical series for each price group. When cash for ticket sales is deposited with the treasurer, the treasurer's receipt issued therefore should show the number of tickets issued to the seller, the number returned unsold and the balance remitted in cash. All tickets (including free or reduced) must be listed and accounted for on the SA-4 Ticket Sales Form. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 2)

Serially prenumbered tickets by the printing supplier should be used for all athletic and other extra-curricular activities and events for which admission is charged. Part of the prenumbered ticket should be given to the person paying for the ticket upon admission to the event. The other part of the ticket (which should also be prenumbered, referred to as the stub) should be retained. All tickets (unused tickets and stubs) should be retained for audit. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 2)

Tickets for each price group should be different colors and/or different in their series number. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 2)

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(Continued)

NONUSE OF RECEIPT FORM SA-3

Receipt Form SA-3 was not always used when monies were remitted to the Extra-Curricular Treasurer. Total receipts written for the audit period were less than deposits made for the same period. Several receipts examined did not indicate the date written or the classification of the money received. As a result, full accountability for all monies received could not be established. A similar comment has appeared in several prior audit reports.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

**ARLINGTON WOODS ELEMENTARY SCHOOL 99**

NONUSE OF FORM SA-7, CLAIM FOR PAYMENT

The Extra-Curricular Account Treasurer did not use Form SA-7, Claim for Payment to support and document several of the disbursements made. Due to the lack of supporting information, the validity and accountability for some monies disbursed could not be established. A similar comment appeared in prior Audit Report B26696.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

DISBURSEMENT DOCUMENTATION

Several payments were observed which did not contain adequate supporting documentation such as receipts, and invoices.

Due to the lack of supporting information, the validity and accountability for some monies disbursed could not be established.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

INDIANAPOLIS PUBLIC SCHOOLS  
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(Continued)

PRESIGNING DOCUMENTS

Several checks were signed by both the Extra-Curricular Treasurer and the Principal prior to the checks being completed. The checks were never issued in some instances; however, the original signed check was not included in the records presented for audit.

Checks and receipts should be prepared timely and not signed in advance of the event or transaction. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

Indiana Code 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

SALES TAX

Sales tax was paid for some purchases. A similar comment appeared in prior Audit Report B26696.

Governmental funds generally are exempt from the payment of sales tax on qualifying purchases. Respective tax agencies should always be contacted concerning tax exemptions and payments. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

PENALTIES, INTEREST AND OTHER CHARGES

Information presented for audit indicates that, in some cases, amounts payable to vendors and other suppliers of goods and services are not being paid timely. One payment to a vendor was noted in which late fees were paid. Additionally, an amount owed to a vendor for fundraising supplies as of June 6, 2006, had not been paid as of November 27, 2006.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)



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NONUSE OF RECEIPT FORM SA-3

Receipt Form SA-3 was not always used when monies were remitted to the Extra-Curricular Treasurer. Proper receipt forms to support amounts deposited or recorded were not presented for audit. As a result, full accountability for all monies received could not be established. A similar comment appeared in prior Audit Report B26696.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

**FRANCIS BELLAMY ELEMENTARY SCHOOL 102**

NONUSE OF RECEIPT FORM SA-3

Receipt Form SA-3 was not always used when monies were remitted to the Extra-Curricular Treasurer. Proper receipt forms to support amounts deposited and recorded were not always presented for audit. In one case, a receipt was posted to the ledger without an actual receipt being issued. As a result, full accountability for all monies received could not be established. A similar comment has appeared in several prior audit reports.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

USE OF FORM SA-7, CLAIM FOR PAYMENT

Claim forms did not contain all information necessary to constitute a valid claim. Proper itemization and signatures were not evident on several claims reviewed. A similar comment appeared in prior Audit Report B26696.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

**ROBERT LEE FROST ELEMENTARY SCHOOL 106**

STAFF PURCHASES

Several disbursements for staff were made from student funds such as a gift card for the Principal from the Art Fund, phone equipment for the school office from of the General Fund, and teacher appreciation gifts from the Bookstore Fund. No School Board approval was noted for the purchase of the phone equipment.

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The State Board of Accounts consistently has been of the audit position to not take an audit exception to a school extra-curricular account having a general fund if the fund consists of revenues received from functions (vending machines or sales of a similar nature, etc.) not generated by students for a specific class or organization (for which a fund should be established). Our audit position has been with the provision that the functions for which the expenditures are made benefit the student body as a whole (as opposed to a select group of students, school employees or administrators). Examples of appropriate expenditures in the past would be convocations, field trip which the entire student body has the opportunity to take during the course of the school year, etc. Our audit position has been based in part upon the substance of the transactions (the revenues are primarily from student or parents paying into vending machines, picture money, etc.). Naturally, we would not take audit exception to a public policy of these types of functions be used to offset the cost of the function (reduce the prices of vending machine, reduce the cost of pictures, etc.). (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 6)

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

Indiana Code 20-26-5-4 states in part: "In carrying out the school purposes of each school corporation, its governing body acting on its behalf shall . . . acquire such personal property or any interest therein as the governing body deems necessary for school purposes . . ." Therefore, extra-curricular equipment purchases should be approved prior to purchase by the Board of School Trustees. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 1)

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses paid by the governmental entity may be the personal obligation of the responsible official and employee. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

#### LATE CHARGES

Information presented for audit indicates that, in some cases, amounts payable to vendors and other suppliers of goods and services are not being timely. Late fees in one instance were incurred and paid totaling \$8.68 on a past due invoice.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

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**COLD SPRING ELEMENTARY SCHOOL 315**

ECA PURCHASE OF EQUIPMENT

Furniture was purchased from the Extra-Curricular Treasurer in the amount of \$500. A review of the School Board minutes did not reveal authorization for the purchase.

Indiana Code 20-26-5-4 states in part: "In carrying out the school purposes of each school corporation, its governing body acting on its behalf shall . . . acquire such personal property or any interest therein as the governing body deems necessary for school purposes . . ." Therefore, extra-curricular equipment purchases should be approved prior to purchase by the Board of School Trustees. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 1)

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

Payments were made to two individuals for services provided to the school. They were both paid an hourly rate for the hours they worked and the payments were not made through the payroll system. Additionally, the proper forms were not completed to accurately report the payments made as income to the individuals.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



# STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE INDIANAPOLIS PUBLIC SCHOOLS, MARION COUNTY, INDIANA

### Compliance

We have audited the compliance of the Indianapolis Public Schools (School Corporation) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the School Corporation's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the School Corporation's compliance with those requirements.

In our opinion, the School Corporation complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2006-1 and 2006-2.

### Internal Control Over Compliance

The management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133  
(Continued)

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the School Corporation's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 2006-1 and 2006-2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

This report is intended solely for the information and use of the School Corporation's management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

February 7, 2007

INDIANAPOLIS PUBLIC SCHOOLS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Year Ended June 30, 2006

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Pass Through Indiana Department of Education			
Child Nutrition Cluster			
School Breakfast Program	10.553	FY 2005-06	\$ 3,909,956
National School Lunch Program	10.555	FY 2005-06	10,814,282
Summer Food Service Program for Children	10.559	FY 2005-06	476,295
Fresh Fruit and Vegetable Program	10.582	FY 2005-06	<u>64,725</u>
Total for cluster			<u>15,265,258</u>
Total for federal grantor agency			<u>15,265,258</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Pass-Through Indiana Department of Education			
Special Education Cluster			
Special Education - Grants to States	84.027		
Part B IDEA		14205-030-PY01	3,150,773
Part B IDEA		14206-030-PN01	7,701,441
Carryover		14204-030-PY02	191,520
Targeted Funds		14204-036-DY01	82,947
Sliver		14205-030-SN01	<u>41,983</u>
Total for program			<u>11,168,664</u>
Special Education - Preschool Grants	84.173		
FY 2004-05		45705-030-PN01	61,018
FY 2005-06		45706-030-PN01	<u>185,203</u>
Total for program			<u>246,221</u>
Total for cluster			<u>11,414,885</u>
Direct Grant			
Impact Aid	84.041	FY 2005-06	<u>4,130</u>
Direct Grant			
Magnet Schools Assistance	84.165		
FY 2004-05		U165A040018-01	751,304
FY 2005-06		U165A040018-02	1,533,944
FY 2002-03		S165A010039-01	19,623
FY 2003-04		S165A010039-02	<u>189,108</u>
Total for program			<u>2,493,979</u>
Direct Grant			
Fund for the Improvement of Education	84.215		
Smaller Learning Communities		S215L022349	<u>133,569</u>

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.



INDIANAPOLIS PUBLIC SCHOOLS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Year Ended June 30, 2006  
(Continued)

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF EDUCATION (continued)</u>			
Pass-Through Indiana Department of Education			
Adult Education - State Grant Program	84.002		
		Impact ABE	2,000
FY 2003		FY 2005-8017	778,503
ESL Outreach Project		FY 2005-8123	28,348
ABE Civics Education		FY 2005-8402	<u>36,565</u>
Total for program			<u>845,416</u>
Title I Grants to Local Educational Agencies	84.010		
Compensatory Education		FY 2005-06	17,920
Compensatory Education		FY 2005-06	5,621,637
Compensatory Education		FY 2005-06	19,656,109
Delinquent		00-5385	<u>109,562</u>
Total for program			<u>25,405,228</u>
Migrant Education - State Grant Program	84.011	FY05-06/RM-1	<u>63,972</u>
Vocational Education - Basic Grants to States	84.048		
High Schools that Work		06-1303-5385	8,645
Perkins		04-4700-5385	<u>1,603,060</u>
Total for program			<u>1,611,705</u>
Safe and Drug Free Schools and Communities - National Programs	84.184		
Middle School Drug Prevention		S184k010131	<u>13,950</u>
Safe and Drug Free Schools and Communities - State Grants	84.186		
		S186A030015	13,155
		Q186A040015	563,107
Project Peace			<u>13</u>
Total for program			<u>576,275</u>
Education for Homeless Children and Youth	84.196	FY 2005-06	<u>64,837</u>
Pass-Through Ball State University			
Javits Gifted and Talented Students Education Grant Program	84.206	S206A020035	<u>60</u>
Pass-Through Indiana Department of Education			
Even Start-State Educational Agencies	84.213	FY 2005-06	226,129
		FY 2005-06	<u>128,716</u>
Total for program			<u>354,845</u>

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

INDIANAPOLIS PUBLIC SCHOOLS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Year Ended June 30, 2006  
(Continued)

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF EDUCATION (continued)</u>			
Pass-Through Indiana Department of Education (continued) Fund for the Improvement of Education			<u>237,971</u>
Pass-Through Indiana Department of Workforce Development Tech-Prep Education	84.243	TP-4-74	<u>154,845</u>
Pass-Through Indiana Department of Education Twenty-First Century Community Learning Centers	84.287	S287A011969 S287C020014	<u>392,818</u> <u>415,773</u>
Total for program			<u>808,591</u>
State Grants for Innovative Programs	84.298	FY 2005-06 FY 2005-06	<u>243,308</u> <u>327,394</u>
Total for program			<u>570,702</u>
Pass-Through Crawfordsville Community School Corporation Technology Innovation Challenge Grants	84.303	R303A000004-01	<u>239,301</u>
Pass-Through Indiana Department of Education Education Technology State Grants	84.318	S318X020014	<u>721,395</u>
Comprehensive School Reform Demonstration	84.332	FY 2005-06	<u>447,639</u>
Title I Accountability Grants	84.348	FY 2005-06	<u>1,587,639</u>
Reading First State Grants	84.357	S357A040015 S357A040015	<u>1,011,761</u> <u>1,619,886</u>
Total for program			<u>2,631,647</u>
English Language Acquisition Grants	84.365	FY 2005-06	<u>684,162</u>
Mathematics and Science Partnerships	84.366	S366B040015	<u>94,627</u>
Improving Teacher Quality State Grants	84.367	S376A020013	<u>3,650,270</u>
Hurricane Education Recovery	84.938	FY 2005-06	<u>17,000</u>
Total for federal grantor agency			<u>54,828,640</u>
<u>CORPORATION FOR NATIONAL SERVICE</u>			
Pass-Through Indiana Department of Education Learn and Serve America - School and Community Based Programs	94.004	01-5385	<u>44,506</u>
Total Federal Awards Expended			<u>\$ 70,138,404</u>

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

INDIANAPOLIS PUBLIC SCHOOLS  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Indianapolis Public Schools (School Corporation) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required.

II. Noncash Assistance

The School Corporation expended the following amount of noncash assistance for the year ending June 30, 2006. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2006
School Breakfast Program	10.553	\$ 232,238
National School Lunch Program	10.555	705,060

INDIANAPOLIS PUBLIC SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	none reported

Noncompliance material to financial statements noted?	no
---	----

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	yes

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	yes
--	-----

Identification of Major Programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.165	Special Education Cluster
84.357	Magnet Schools Assistance
84.367	Reading First State Grants
	Improving Teacher Quality State Grants

Dollar threshold used to distinguish between Type A and Type B programs: \$2,104,152

Auditee qualified as low-risk auditee?	yes
--	-----

Section II – Financial Statement Findings

No matters are reportable.

INDIANAPOLIS PUBLIC SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

Section III – Federal Award Findings and Questioned Costs

FINDING 2006-1. INTERNAL CONTROL REPORTABLE CONDITION/CASH MANAGEMENT

Federal Agency: U.S. Department of Education  
Federal Program: Improving Teacher Quality State Grants  
CFDA Number: 84.367  
Pass-Through Entity: Indiana Department of Education

34 CFR 80.20(b)(7) states in part: "Procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and sub-grantees must be followed whenever advance payment procedures are used."

31 USC Sec. 3335(a) states in part: "Each head of an executive agency shall, under such regulations as the Secretary of the Treasury shall prescribe, provide for the timely disbursement of Federal funds through cash, checks, electronic funds transfer, or any other means identified by the Secretary."

The cash balance of the grant exceeded the allowable cash balance based on estimated future requirements for 7 of the 12 months during the audit period. The cash balance of the grant at June 30, 2006, as reported on the fourth quarter report submitted to the Indiana Department of Education, was \$1,391,818, which was approximately 28% of the total grant awarded during the audit period. The estimated cash needs in the few months subsequent to the audit period did not substantiate the need for this amount of cash.

Surplus cash indicates noncompliance with the cash management requirement. Additionally, failure to minimize the cash on hand may cause future funding to be reduced by the pass-through agency.

We recommended that School Corporation Officials develop and implement procedures and controls to ensure that the time between the receipt and disbursement of federal funds is minimized.

FINDING 2006-2. INTERNAL CONTROL REPORTABLE CONDITION/CASH MANAGEMENT

Federal Agency: U.S. Department of Education  
Federal Program: Reading First State Grants  
CFDA Number: 84.357  
Pass-Through Entity: Indiana Department of Education

34 CFR 80.20(b)(7) states in part: "Procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and sub-grantees must be followed whenever advance payment procedures are used."

31 USC Sec. 3335(a) states in part: "Each head of an executive agency shall, under such regulations as the Secretary of the Treasury shall prescribe, provide for the timely disbursement of Federal funds through cash, checks, electronic funds transfer, or any other means identified by the Secretary."

The cash balance of the grant exceeded the allowable cash balance based on estimated future requirements for 7 of the 12 months during the audit period. The cash balance of the grant at June 30, 2006, was \$1,381,707, which was approximately 38% of the total grant awarded during the audit period. The estimated cash needs in the few months subsequent to the audit period did not substantiate the need for this amount of cash.

INDIANAPOLIS PUBLIC SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

Surplus cash indicates noncompliance with the cash management requirement. Additionally, failure to minimize the cash on hand may cause future funding to be reduced by the pass-through agency.

We recommended that School Corporation Officials develop and implement procedures and controls to ensure that the time between the receipt and disbursement of federal funds is minimized.



**Indianapolis Public Schools**

*The John Morton-Finney Center for Educational Services*  
120 East Walnut Street  
Indianapolis, IN 46204

**TEL 317-226-4411 FAX 317-226-4936**

Eugene G. White, Ed.D.  
Superintendent

February 16, 2007

Indiana State Board of Accounts  
302 W. Washington Street  
Room E418  
Indianapolis, IN 46204

Dear Sir or Madam:

Please find attached the responses to the State Board of Accounts 2005-2006 audit of Indianapolis Public Schools.

Sincerely,

A handwritten signature in black ink, appearing to read 'Eugene G. White', is written over a large, stylized cursive 'E' that extends to the left.

Eugene G. White, Ed.D.  
Superintendent

Cc: Regina May, Staff Auditor  
Rodney Black, Business Manager  
File

Attachment  
Audit Responses

**Indiana State Board of Accounts Audit Comment – Federal Findings No 2006-1 – Internal Control Reportable Condition / Cash Management**

Federal Agency: U.S. Department of Education  
Federal Program: Improving Teacher Quality State Grants  
CFDA Number: 84.367  
Pass-Through Entity: Indiana Department of Education

34 CFR subpart C 80.20 (b)(7) states in part: “Procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and sub-grantees must be followed whenever advance payment procedures are used.”

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For seven of the twelve months during the audit period, the cash balance of this grant exceeded the allowable cash balance based on estimated future requirements. The cash balance of the grant at June 30, 2006, as reported on the fourth quarter report submitted to the Indiana Department of Education, was \$1,391,818, which was approximately 28% of the total grant awarded during the audit period. The estimated cash needs in the few months subsequent to the audit period did not substantiate the need for this amount of cash.

Surplus cash indicates noncompliance with the cash management requirement as set forth by the grant agreement and Circular A-102 (the Common Rule). Additionally, failure to minimize the cash on hand may cause future funding to be reduced by the pass-through agency.

We recommend that School Corporation Officials develop and implement procedures and controls to ensure that the time between the receipt and disbursement of federal funds is minimized.

**IPS Response to Indiana State Board of Accounts Audit Comment – Federal Findings No 2006-1 – Internal Control Reportable Condition / Cash Management**

Since the District is required to operate on a cash basis, internal review procedures have emphasized a greater degree of focus on negative cash balances as opposed to positive cash balances. The corrective action plan prepared and presented to the State Board of Accounts now requires a focus on positive cash balances as well as negative cash basis.



**Indiana State Board of Accounts Audit Comment – Federal Findings No 2006-2 – Internal Control Reportable Condition / Cash Management**

Federal Agency: U.S. Department of Education  
Federal Program: Reading First State Grant  
CFDA Number: 84.357  
Pass-Through Entity: Indiana Department of Education

34 CFR subpart C 80.20 (b)(7) states in part: “Procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and sub-grantees must be followed whenever advance payment procedures are used.”

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For seven of the twelve months during the audit period, the cash balance of this grant exceeded the allowable cash balance based on estimated future requirements. The cash balance of the grant at June 30, 2006, was \$1,381,707, which was approximately 38% of the total grant awarded during the audit period. The estimated cash needs in the few months subsequent to the audit period did not substantiate the need for this amount of cash.

Surplus cash indicates noncompliance with the cash management requirement as set forth by the grant agreement and Circular A-102 (the Common Rule). Additionally, failure to minimize the cash on hand may cause future funding to be reduced by the pass-through agency.

We recommend that School Corporation Officials develop and implement procedures and controls to ensure that the time between the receipt and disbursement of federal funds is minimized.

**IPS Response to Indiana State Board of Accounts Audit Comment – Federal Findings No 2006-2 – Internal Control Reportable Condition / Cash Management**

Since the District is required to operate on a cash basis, internal review procedures have emphasized a greater degree of focus on negative cash balances as opposed to positive cash balances. The corrective action plan prepared and presented to the State Board of Accounts now requires a focus on positive cash balances as well as negative cash basis

INDIANAPOLIS PUBLIC SCHOOLS  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

## CORRECTIVE ACTION PLAN

Finding Number: 2006-1, Internal Control Reportable Condition/Cash Management  
Audit Period: July 1, 2005 to June 30, 2006  
Federal Program: Improving Teacher Quality State Grants  
CFDA Number: 84.367  
Auditee Contact: Angela Blackwell (317) 226-3601

The primary problem has been the failure to compare the Cash Forecast request prepared at the beginning of the Grant Award with the monthly cash expenditures. This is the responsibility of each Grant Director.

In order to help the Grant Director and Grant Fiscal Officers with this responsibility, Grant Accounting will prepare a monthly report for the Grant Director/Grant Fiscal Officer showing cash on hand and estimated length of time before the fund has a negative Cash Balance. This estimated length of time will be based upon the historical expenditure history of each fund. If the estimated length of time is more than one month, the Grant Director or Grant Fiscal Officer must reply in writing as to why the Cash Balance is necessary and the forecast that supports that conclusion.

Based upon the answers received from the Grant Director or Grant Fiscal Officer, the Cash Request will be modified to reflect actual requirements.

## **CORRECTIVE ACTION PLAN**

**Finding Number:** 2006-2, Internal Control Reportable Condition/Cash Management  
**Audit Period:** July 1, 2005 to June 30, 2006  
**Federal Program:** Reading First State Grants  
**CFDA Number:** 84.357  
**Auditee Contact:** Angela Blackwell (317) 226-3601

The primary problem has been the failure to compare the Cash Forecast request prepared at the beginning of the Grant Award with the monthly cash expenditures. This is the responsibility of each Grant Director.

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Based upon the answers received from the Grant Director or Grant Fiscal Officer, the Cash Request will be modified to reflect actual requirements.

INDIANAPOLIS PUBLIC SCHOOLS  
EXIT CONFERENCE

The contents of this report were discussed on February 7, 2007, with Dr. Eugene G. White, Superintendent of Schools; and Rodney M. Black, Treasurer. The official response has been made a part of this report and may be found on pages 84 to 95.



**Indianapolis Public Schools**

*The John Morton-Finney Center for Educational Services*  
120 East Walnut Street  
Indianapolis, IN 46204  
TEL 317-226-4411 FAX 317-226-4936

Eugene G. White, Ed.D.  
Superintendent

February 16, 2007

Indiana State Board of Accounts  
302 W. Washington Street  
Room E418  
Indianapolis, IN 46204

Dear Sir or Madam:

Please find attached the responses to the State Board of Accounts 2005-2006 audit of Indianapolis Public Schools.

Sincerely,

A handwritten signature in black ink, appearing to read 'Eugene G. White'. The signature is fluid and cursive, with a large, sweeping 'E' and 'W'.

Eugene G. White, Ed.D.  
Superintendent

Cc: Regina May, Staff Auditor  
Rodney Black, Business Manager  
File

Attachment  
Audit Responses

**Indiana State Board of Accounts Audit Comment – Overdrawn Cash Balances:**

The cash balance of the Textbook Rental Fund, Special Education Carryover Fund, and Special Education 05/06 Fund was overdrawn at June 30, 2006.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9).

**IPS Response to State Board of Accounts Comment – Overdrawn Cash Balances:**

The very nature of reimbursable funds within a cash basis operation is that they will incur negative cash balances while reimbursement requests are being processed since there is no accounting method to show the accounts receivable. However, the State Board of Accounts acknowledges that IPS had sufficient cash balances in the General Fund to cover the negative cash balances identified in the audit comment,

It is the District's policy to cover reimbursable fund negative cash balances with General Fund cash balances.

**Indiana State Board of Accounts Audit Comment - Textbook Rental Charges:**

When reviewing the amounts charged for textbook rental, it was determined that the School Corporation was overcharging students for textbook rental. The School Corporation calculated the annual rental fee on 120% of the contract price of the textbooks instead of the actual retail price of the textbooks.

IC 20-10.1-10-2 states in part (a) "Each governing body may purchase from a contracting publisher, at the net contract price or at a subsequent lower price, any textbook adopted by the State Board of Education and selected by the proper local officials, and may rent these textbooks to students enrolled in any public or nonpublic school which is in compliance with the minimum certification standards of the state board of education and is located within the attendance unit serviced by the governing body, at an annual rental not to exceed twenty-five percent (25%) of the retail price of the textbook."

Therefore, we are of the audit position that up to twenty-five (25%) percent of the retail price of a textbook may be collected annually (which could include actual shipping and handling) for each year of the original six year adoption period. A textbook costing twelve dollars (\$12.00) (which includes shipping and handling) could be recovered at a maximum of eighteen dollars (\$18.00) over the six year period ( $\$12.00/4 \times 6$ ). (The School Administrator and Uniform Compliance Guidelines, Volume 145 p 6).

**IPS Response to State Board of Accounts Comment – Textbook Rental Charges:**

IC 20-20-5-23 Sec. 23. (b) (1) states in part that textbooks paid for in cash within sixty (60) days after delivery must be furnished at the ***net wholesale price*** of the textbooks plus transportation costs. (2) Textbooks purchased on a time basis must be furnished at the ***net wholesale price*** plus transportation costs plus interest on the unpaid balance, subject to any restrictions in this chapter on time basis purchases. Also, IC 20-26-12-2 Sec. 2. (a) (2) states in part that the annual rental rate may not exceed twenty-five percent (25%) of the ***retail price*** of the textbooks. It is therefore IPS' position that after comparing the wholesale price with the retail price with a number of our textbook vendors that the 20% mark-up is well below market retail prices and within state statute.



**State Board of Accounts Audit Comment – Textbook Rental Receipts and Student Accounts:**

Textbook rental receipts for some of the elementary and middle schools for the school year were not presented for audit. The system used to maintain individual textbook rental accounts for students in the elementary and middle schools does not allow prior year receipts to be retrieved. Information provided for audit did not allow textbook rental payments to be traced to bank deposits or posting to students' accounts.

IC 5-15-6-3(f) concerning destruction of public records, states in part: (Original records may be disposed of only with the approval of the commission according to guidelines established by the commission.)

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

**IPS Response to State Board of Accounts Comment – Textbook Rental Receipts and Student Accounts:**

The current IPS receipt system does allow for the recovery of prior year student textbook receipts on a district basis, however, the system does not readily identify sequential receipts within a given school. Therefore, IPS will modify the current system software to allow for the sequential numbering of receipts by individual schools in such a manner that all textbook rental payments can be traced from an individual school to the appropriate bank deposit and subsequently to the individual students account.

**Indiana State Board of Accounts Audit Comment – Facility Usage Fees:**

“Fees collected for the public’s use of the School Corporation facilities and equipment have been collected, retained and accounted for in the extra-curricular accounts at 28 different schools, ranging in amounts totaling from \$50 to \$57,319. The total fees collected at all schools amounted to \$149,089 during the school year. These schools used the fees collected to purchase such items as staff appreciation gifts, lunches and/or food for staff meetings, student awards and incentives, and items used for the maintenance and upkeep on their particular facility. Similar comments have appeared in the prior nine audit reports.

IC 20-5-3-1(c), concerning duties of the School Corporation Treasurer, states in part: ‘The treasurer shall be the official custodian of all funds of the school corporation and shall be responsible for the proper safeguarding and accounting for all the funds....’. Therefore, all grant monies and properly authorized fees at an individual building should be transferred to the School Corporation Central Office on a timely and regular basis for receipting into the appropriate school corporation fund. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8).”

**IPS Response to State Board of Accounts Comment – Facility Usage Fees:**

Under PL 340, IPS has decentralized much of the individual school daily operation and allowed the school to control usage fees directly related to the operation of their building. IPS Officials require that such usage fees be accounted for in accordance with accounting procedures described in the Accounting and Uniform Compliance Guidelines Manual for Extracurricular Accounts.

From the examples identified, it would appear that the question raised does not deal with the legitimacy, purpose, or consistency with the accounting of the funds, but rather the fact that the State Board of Accounts wants the paperwork dealing with the day-to-day activities of the usage fees maintained at the central office rather than the building. To maintain the day-to-day activity of these usage fees at a district level is inconsistent with the philosophy of PL-340.

IPS Officials will review and evaluate with principals and treasurers the procedure currently used for the accountability of usage fees. IPS will also hold staff accountable for any deviation from approved accounting procedures.

**State Board of Accounts Comment –Grant Funds:**

“Numerous grant funds were collected, retained, and accounted for in the Extra-Curricular Accounts at 68 different schools, ranging in amounts from \$157 to \$94,796. The total funds collected at all schools amounted to \$535,290 during the school year. Similar comments have appeared in the prior nine audit reports.

All financial transactions related to the School Corporation should be accounted for in the School Corporation records. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8).

IC 20-5-3-1(c), concerning duties of the School Corporation Treasurer, states in part: ‘The treasurer shall be the official custodian of all funds of the school corporation and shall be responsible for the proper safeguarding and accounting for all the funds....’. Therefore, all grant monies and properly authorized fees at an individual building should be transferred to the School Corporation Central Office on a timely and regular basis for receipting into the appropriate school corporation fund. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8).”

**IPS Response to State Board of Accounts Comment – Grant Funds:**

The grants in question are primarily private foundation dollars and were awarded to the specific schools, many with the understanding that the dollars were not to be accounted for at the corporation level. Under PL340, IPS has decentralized much of the individual school daily operation and allowed the school to seek grants for the specific operation of their buildings. IPS officials require that such grants be accounted for in accordance with accounting procedures described in the Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts. IPS Officials have not become aware, nor have they been informed by any of the grantors, nor the Indiana State Board of Accounts that expenditures were inconsistent with the requirements of the grants.

From the examples identified, it would appear that question raised does not deal with the legitimacy, purpose, or consistency with the grant requirements, but rather the fact that the State Board of Accounts wants the paperwork dealing with the day-to-day activities of the grant maintained at the central office rather than the building. To maintain the day-to-day activity of these grants at the district level is inconsistent with the philosophy of PL-340.

IPS Officials will review and evaluate with the principals and treasurers the procedure currently used for the accountability of grant funds. IPS will also hold staff accountable for any deviation from grant requirements that are not approved by the grantor.

**Arlington High School**

**PETTY CASH FUND ACTIVITY**

As stated in the previous audit report responses, IPS General Counsel interprets the provisions of IC-36-1-8-1, and IC-36-1-8-3 to grant authority to a School Board to establish a petty cash fund for any of its offices. Pursuant to the provisions of this code the IPS Board of School Commissioners by Resolution #3102-91 August 1991, granted authority to schools to establish and maintain a petty cash fund.

**RECEIPT CLASSIFICATION**

IPS officials will make a greater effort to key deposits exactly as received in the future.

**UNPAID BILLS/CLAIMS**

IPS officials have spoken with fund sponsors and paid off several debts since the conclusion of the audit. In some cases the finance charges have been waived. Arlington High School staff are working to ensure that all previous obligations are addressed as money is raised before new debt is incurred, wherever possible.

**CHEERLEADING FUNDRAISER**

The balance owed for this fundraiser was paid since the conclusion of the audit. The finance charges were paid by the fund sponsors. Expectations and processes have been defined and shared with staff to help ensure future compliance with fundraising guidelines.

**LOCKER DEPOSITS FEES**

Arlington High School will no longer charge students a Locker Deposit fee starting with the 2007-2008 school year.

**TEXTBOOK RENTAL**

IPS officials understand this comment and will make the necessary changes to bring textbook rental processes into compliance with State Board of Account Guidelines.

**Arsenal Technical High School**

**PETTY CASH FUND ACTIVITY**

As stated in the previous audit report responses, IPS General Counsel interprets the provisions of IC-36-1-8-1, and IC-36-1-8-3 to grant authority to a School Board to establish a petty cash fund for any of its offices. Pursuant to the provisions of this code the IPS Board of School Commissioners by Resolution #3102-91 August 1991, granted authority to schools to establish and maintain a petty cash fund.

**INTEREST ON INVESTMENTS**

Arsenal Tech officials have addressed this issue and future investments will be handled in compliance with State Board of Accounts guidelines. Interest will be paid to the school rather than rolling into the investment.

**(Arsenal Technical High School cont.)**

**CONDITION OF RECORDS**

The issue concerning the certificate of deposit has been resolved. This CD has been recorded in the extracurricular records and is pending redemption at maturity. Procedures have been reviewed to help prevent this from reoccurring.

**TEXTBOOK RENTAL**

IPS officials understand this comment and will make the necessary changes to bring textbook rental processes into compliance with State Board of Account Guidelines.

**Broad Ripple High School**

**PETTY CASH FUND ACTIVITY**

As stated in the previous audit report responses, IPS General Counsel interprets the provisions of IC-36-1-8-1, and IC-36-1-8-3 to grant authority to a School Board to establish a petty cash fund for any of its offices. Pursuant to the provisions of this code the IPS Board of School Commissioners by Resolution #3102-91 August 1991, granted authority to schools to establish and maintain a petty cash fund.

**UNPAID BILLS- DELINQUENT ACCOUNT**

Current Broad Ripple High School officials met with Kessler Team Sports and worked out a settlement. This bill has been settled since the conclusion of the audit.

**Emmerich Manual High School**

**TEXTBOOK INDEBTEDNESS**

Emmerich Manual High School understands this comment and is in the process of taking care of their textbook indebtedness. Manual High School has a large population of students who receive state assistance. Others who do not pay are sent to the collection agency, with Manual receiving little result.

**CONDITION OF RECORDS**

IPS officials understand this comment and will make the necessary changes to bring textbook rental processes into compliance with State Board of Account Guidelines.

**PRESCRIBED FORMS**

IPS officials have submitted all forms in question for State Board of Accounts approval.

**Northwest High School**

**PETTY CASH FUND ACTIVITY**

As stated in the previous audit report responses, IPS General Counsel interprets the provisions of IC-36-1-8-1, and IC-36-1-8-3 to grant authority to a School Board to establish a petty cash fund for any of its offices. Pursuant to the provisions of this code the IPS Board of School Commissioners by Resolution #3102-91 August 1991, granted authority to schools to establish and maintain a petty cash fund.

**TEXTBOOK RENTAL**

IPS officials understand this comment and will make the necessary changes to bring textbook rental processes into compliance with State Board of Account Guidelines.

**IPS Day Adult High School**

**RECEIPT ISSUANCE**

IPS officials understand this comment and will be sure that all money received is receipted properly.

**TIMELY DEPOSITS**

IPS officials have changed the bookkeeping process to be more efficient and have provided additional backup for more frequent bank deposits.

**INTERNAL CONTROLS**

IPS officials understand this comment and have centralized the process to eliminate these problems in the future.

**PUBLIC RECORDS RETENTION**

During a transition of bookstore clerks many records were moved. New controls have been put in place to ensure that all records are accounted for in the future, regardless of staff changes.

**New Beginnings High School**

**STUDENT ACTIVITY FEE**

Some of the fees paid were a combination of Textbook and Activity fees. When this happened, the receipt would be divided and posted applicably. Documentation will be marked more clearly in the future. IPS officials will submit all fees for Board Approval at the beginning of the school year for future compliance.

**TEXTBOOK FUND**

Purchasing and bookkeeping policies have been reviewed to eliminate this problem in the future.

**CONDITION OF RECORDS**

IPS officials understand the need for accurate record keeping and thru additional training and staff changes will be able to provide accurate posting of all items.

**George Washington Community School**

**UNPAID BILLS – INTEREST AND OTHER CHARGES**

IPS officials were aware of this outstanding item only when statements started arriving. Since school officials became aware of this bill, they have been working with Kratz Sporting Goods and making monthly payments to ensure that payment is made in full as soon as possible. Purchasing procedures have been reviewed with staff and unauthorized purchases may be the personal responsibility of staff in the future.

**EXTRA-CURRICULAR DISBURSEMENTS**  
**GENERAL FUND PURCHASES**  
**ECA DEPOSITS**

Due to IPS staffing changes with regard to the Extracurricular account these items are now being handled in compliance with IPS and State Board of Account guidelines.

**H. L. Harshman Middle School #501**

**OVERDRAWN FUND BALANCES**

The purchasing process has been reviewed and staff are required to obtain approval before making purchases to ensure that funds are available.

**Crispus Attucks Middle School #518**

**PENALTIES, INTEREST AND OTHER CHARGES**

Additional effort has been made to allow more time during the day for the Extracurricular Treasurer to ensure that all bills are paid timely in the future, eliminating any further late fees.

**Frederick Douglass Middle School #519**

**GENERAL FUND PURCHASES**

IPS officials understand this comment. For the 2005-2006 school year, the "General" fund was used as a building general fund combining Staff and Student sources of money. In the future, all student money will be kept separate from staff and other money sources.

**Forest Manor Middle School #554**

**DISBURSEMENT DOCUMENTATION**  
**FUND SOURCES AND USES**

IPS officials agree with these comments and new staff at the school will adhere to the guidelines provided by the State Board of Accounts.

**Clarence Farrington Middle School #561**

OVERDRAWN FUND BALANCES  
DISBURSEMENT DOCUMENTATION  
PENALTIES, INTEREST AND OTHER CHARGES

IPS officials agree with this comment and will be more detailed in the operation of the Extracurricular Account to ensure future compliance with IPS and State Board of Account guidelines.

**Raymond F. Brandes Elementary School #65**

FUND SOURCES AND USES

IPS officials have made the appropriate changes to bring the school into future compliance with the extracurricular guidelines.

**Joyce Kilmer Elementary School #69**

ECA DEPOSITS

IPS officials understand the importance of daily bank deposits and will continue their efforts to ensure money is deposited timely.

**Rousseau McClellan Elementary School #91**

ECA DEPOSITS

IPS officials understand the importance of daily bank deposits. The deposit in question was inadvertently left in a file drawer at the end of the school year and deposited upon discovery over the summer. The receipt and deposit process has been adjusted to ensure that all money will be deposited in a timely manner.

**George H. Fisher Elementary School #93**

PENALTIES, INTEREST AND OTHER CHARGES  
NONUSE OF TICKET SALES FORM SA-4  
NONUSE OF RECEIPT FORM SA-3

IPS officials have adjusted practices to ensure future compliance with the State Board of Accounts guidelines.

**Arlington Woods Elementary School #99**

NONUSE OF FORM SA-7, CLAIM FOR PAYMENT  
DISBURSEMENT DOCUMENTATION  
PRE-SIGNING DOCUMENTS  
SALES TAX  
PENALTIES, INTEREST and OTHER CHARGES  
NONUSE OF RECEIPT FORM SA-3

IPS officials understand these comments. Building staff has been changed and extracurricular processes have been corrected to ensure compliance with IPS and State Board of Accounts guidelines.



**Francis Bellamy Elementary School #102**

NONUSE OF RECEIPT FORM SA-3  
USE OF FORM SA-7, CLAIM FOR PAYMENT

IPS officials agree with these comments and the necessary adjustments have been made.

**Robert Lee Frost Elementary School #106**

STAFF PURCHASES  
LATE CHARGES

IPS officials agree with these comments and will take the appropriate steps to adhere to all guidelines provided for the operation of the Extracurricular Account in the future.

**Cold Spring Elementary School #315**

ECA PURCHASE OF EQUIPMENT  
FEDERAL AND STATE AGENCIES- COMPLIANCE REQUIREMENTS

IPS officials agree with these comments and will comply in the future.